

APR - 3 2015

bcc.  
6JPH: Audit File  
6JPH: Gulley:4-3-15:keh  
La Joya January 2015 Conflict  
of Interest Response ltr

Mr. Juan Jose Garza  
Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Mr. Garza:

SUBJECT: La Joya Housing Authority's Inquiry Regarding a Potential Conflict of Interest on a  
Procurement Action for Work Related to Four Vacant Units

On March 3, 2015, we spoke with you regarding a potential conflict of interest on a contract the La Joya Housing Authority (LJHA) awarded for the subject work, which was awarded in January 2015. We reviewed the information you subsequently emailed to us on March 17, 2015, March 18, 2015, and March 25, 2015. This letter represents our feedback regarding it.

If the Board Chairperson's husband was compensated, it is a conflict of interest under Section 19 of the Annual Contributions Contract (ACC) – Form HUD-53012-A the LJHA signed with the Department of Housing and Urban Development (HUD) in 1996. If the Chairperson's husband was not compensated, it still raises the appearance of a conflict of interest. Federal statutes and regulations generally prohibit the appearance of a conflict of interest.

According to Section 19 (A) (2) of the ACC, it is the Chairperson's responsibility to disclose a conflict. If the Chairperson's husband was paid, then the Chairperson may request a waiver under Section 19 (A) (3). Notice PIH 2013-20 (Processing requests for regulatory waivers through appropriate field offices) outlines the process. Even if he was not paid, we advise the LJHA to avoid the appearance of a conflict of interest.

Additionally, we highly recommend your office review **"HUD Procurement Handbook for Public Housing Agencies" (7460.8 rev-2)** in order to develop a Statement of Work (SOW) for each future solicitation. The SOW will instruct bidders what the LJHA is soliciting proposals for and how the LJHA wants the service (s) delivered. The SOW should include:

1. Detailed work and task requirements;
2. End results and deliverables, including the criteria which a deliverable must meet to be considered acceptable;
3. Delivery schedules/period of performance;
4. Any reporting and compliance requirements;
5. A precise statement of the objectives;

GULLEY

UVIEDO

We also highly suggest the LJHA use the HUD contracts referenced in Chapter 6, Sealed Bids, of the Procurement Handbook. By using these contracts, the LJHA and HUD will protect the interests of the residents, the LJHA, and HUD.

If you have any questions, please contact Byron Gulley, Financial Analyst, at (210) 475-6821.

Sincerely,

A handwritten signature in black ink, appearing to read "Byron Gulley" followed by a flourish.

Joseph A. Uviedo  
Acting Director  
Office of Public Housing

cc:

Mrs. Frances De Leon Salinas, Board Chairperson  
The Honorable Adolfo "Fito" Salinas, Mayor

APR 28 2015

bcc:

6JPH: SEMAP

6JPH: Gulley:4-15-15:keh

La Joya SEMAP FYE 12-31-14 No Zero Pls

Mr. Juan Jose Garza  
Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Mr. Garza:

SUBJECT: SEMAP Certification Final Score  
La Joya Housing Authority

Thank you for the completion of the Section Eight Management Assessment Program (SEMAP) certification for the La Joya Housing Authority (LJHA). We appreciate the time and attention you have given to the SEMAP assessment process. The SEMAP provides procedures for HUD to identify Public Housing Agencies' (PHAs') management capabilities and deficiencies in order to target monitoring and program assistance more effectively. The LJHA's unaudited SEMAP score for the fiscal year ended December 31, 2014 is 96 percent. The following are the LJHA's individual performance indicator scores:

Indicator	1	Selection from Waiting List (24 CFR 982.54(d)(1) and 982.204(a))	15
Indicator	2	Reasonable Rent (24 CFR 982.4, 982.54(d)(15), 982.158(f)(7) and 982.507)	20
Indicator	3	Determination of Adjusted Income (24 CFR part 5, subpart F and 24 CFR 982.516)	20
Indicator	4	Utility Allowance Schedule (24 CFR 982.517)	5
Indicator	5	HQS Quality Control (24 CFR 982.405(b))	5
Indicator	6	HQS Enforcement (24 CFR 982.404)	10
Indicator	7	Expanding Housing Opportunities	5
Indicator	8	Payment Standards (24 CFR 982.503)	5
Indicator	9	Timely Annual Reexaminations (24 CFR 5.617)	10
Indicator	10	Correct Tenant Rent Calculations (24 CFR 982, Subpart K)	5
Indicator	11	Pre-Contract HQS Inspections (24 CFR 982.305)	5
Indicator	12	Annual HQS Inspections (24 CFR 982.405(a))	10
Indicator	13	Lease-Up	15
Indicator	14	Family Self-Sufficiency (24 CFR 984.105 and 984.305)	N/A
Indicator	15	Deconcentration Bonus	0

The Authority's overall SEMAP Performance Rating is **high**.

GULLEY

*Garza*  
UVIEDO  
4/28/15

If you have any questions or require additional information, please contact Byron Gulley, Financial Analyst, at (210) 475-6821.

Sincerely,

A handwritten signature in black ink, reading "Joseph A. Uviedo". The signature is fluid and cursive, with the first name "Joseph" and last name "Uviedo" clearly legible, and "A." as a small middle initial.

Joseph A. Uviedo  
Acting Director  
Office of Public Housing

cc:

Mrs. Frances D. Salinas, Board Chairperson  
The Honorable Adolfo "Fito" Salinas, Mayor



U.S. Department of Housing and Urban Development  
San Antonio Field Office, Region VI  
Office of Public Housing  
Hipolito Garcia Post Office and Courthouse  
615 E. Houston Street, Suite 347  
San Antonio, Texas 78205  
Phone (210) 475-6860 Fax (210) 472-6817  
[www.hud.gov](http://www.hud.gov) [www.espanol.hud.gov](http://www.espanol.hud.gov)

**JUN 30 2016**

Mr. Juan J. Garza  
Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Mr. Garza:

**SUBJECT: Environmental Certification and Assessment Compliance for the 2016 Capital Fund Program, La Joya Housing Authority, TX59P448501-16**

We recently received your annual environmental certification for the FY2016 Capital Fund Program (CFP). The purpose of your submission is for continued statutory compliance with 24CFR58; **Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities.**

During our review we noted that the City Manager, Mr. Mike Alaniz, certified the following Environmental Assessment documents as the Responsible Entity Certifying Official:

- Certification of Exemption for HUD funded projects

City Manager Alaniz should maintain a permanent record of the certifications in his files. In addition, please retain a copy of the certifications and any supporting documents at your housing authority. You may now begin obligating FY 2016 CFP funds in accordance with the budgeted activities we approved via form HUD-50075.1 (Annual Statement/Performance and Evaluation Report) and CFP program requirements.

If you have any other questions, please contact Marcelo M. Barron, Financial Analyst, at (210) 475-6800, extension 2249.

Sincerely,

A handwritten signature in black ink, which appears to read "Joseph A. Unido", is written over the typed name "David Pohler".

David Pohler  
Director  
Office of Public Housing



U.S. Department of Housing and Urban Development  
San Antonio Field Office, Region VI  
Office of Public Housing  
Hipolito Garcia Post Office and Courthouse  
615 E. Houston Street, Suite 347  
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SEP 20 2016

Ms. Frances De Leon Salinas  
Board Chairperson  
La Joya Housing Authority  
945 S. Leo Avenue  
La Joya, TX 78560

Dear Ms. Salinas:

We have recently been informed that a civil action suit may have been filed against you, the Board of Commissioners, and against the La Joya Housing Authority.

We wish to remind you that in any case involving litigation, the PHA must follow the provisions of the Litigation Handbook, HUD-1530.01 Rev. 5, which can be obtained at the following website:

<http://www.hud.gov/offices/adm/hudclips/index.cfm>

Specifically, the PHA must report litigation or threatened litigation to Bill Daley, Regional Counsel for the Southwest, and submit documents and information to allow the Regional Counsel to follow the case. **The PHA may not initiate litigation without concurrence of the Regional Counsel and may not undertake defensive litigation without the Regional Counsel's approval of expenditure of program funds.**

The Regional Counsel will not approve the expenditure of program funds for a PHA's defense if he finds that the PHA has clearly violated HUD requirements or is otherwise at fault. Furthermore, no HUD funds may be used for defense of you, as an individual, or any other defendants named in the suit. However, in such cases, the involved attorney may authorize the limited use of program funds for the PHA's defense to facilitate settlement or obtain judicial definition or the required relief. The prior written approval of the Regional Counsel is also required for any proposed settlement (in litigation or during conciliation).

The PHA must also follow the procurement requirements found in Handbook 7460.8 REV-2 and 24 CFR Part 85. **It is very important that the PHA first read all relevant provisions in the Litigation Handbook before proceeding in this matter.** For specific guidance regarding Housing Authority litigation, please contact Jack Stark, Deputy Regional Counsel, Region VI Office, at (817) 978-5991.

If you have any questions or require additional information regarding Public Housing rules, please contact Marcelo Barron, Financial Analyst, at (210) 475-6800, extension 2249; or me, at (210) 475-6892.

Sincerely,

David Pohler  
Director  
Office of Public Housing

cc:  
The Honorable Adolfo "Fito" Salinas, Mayor



**DEC - 2 2016**

**U.S. Department of Housing and Urban Development**  
San Antonio Field Office, Region VI  
Office of Public Housing  
Hipolito Garcia Post Office and Courthouse  
615 E. Houston Street, Suite 347  
San Antonio, Texas 78205  
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Mr. Juan Jose Garza  
Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Mr. Garza:

**SUBJECT:** Schedule of Findings and Questioned Costs for Fiscal Year Ended December 31, 2014  
**AUDITOR:** Audit Solutions, LLC, CPA

On September 14, 2015, the Real Estate Assessment Center's (REAC's) Financial Assessment Subsystem (FASS) product area received the La Joya Housing Authority's (LJHA's) audited financial data submission for the subject fiscal year end (FYE) 2014. Included in this submission was the auditor's schedule of findings and questions costs. In order to ensure corrective actions are implemented, we are sustaining the findings listed in this Management Decision Letter<sup>1</sup> (MDL). If subsequent information demonstrates additional administrative actions are warranted by HUD, they will be implemented.<sup>2</sup>

The Management Response included with the financial data submission to REAC does not adequately address the finding in the auditor's schedule of findings and questioned costs. This MDL will highlight the deficiencies noted from the audit and the LJHA's requirements necessary to bring these findings to a close. Note that the auditor has identified four (4) audit findings and listed them twice on the schedule of findings with two different identification numbers as identified below.

**2014-001 and 2014-005: Segregation of Duties – Public and Indian Housing – Low Rent Program**

The auditor stated the present system of internal controls does not provide for segregation of duties in the performance of functions recommending steps to ensure compensating controls to mitigate the lack of segregation of duties.

The Management Response stated that "due to the size of La Joya Housing Authority, it will take other measures to assign other duties to staff. Hiring a fee accountant for quarterly services will help prevent from this happening". The Management Response is considered inadequate despite future plans for retaining the services of a fee accountant in developing segregation of duties and compensation control measures. This finding is sustained.

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<sup>1</sup> Title 2 Code of Federal Regulations (CFR) § 200.26 defines corrective action as action taken by the auditee that: (1) corrects identified deficiencies; (2) produces recommended improvements; or (3) demonstrates that audit findings are either invalid or do not warrant auditee action.

<sup>2</sup> 2 CFR § 200.207, 2 CFR § 200.338, and 2 CFR § 200.345

## **Requirement**

The LJHA would be required to provide the San Antonio Field Office (SAFO) with specific processes addressing the schedule of findings with evidence of the following:

- Updated accounting control measures to be included in the Administrative Plan that specifically addresses control measures over the:
  - segregation of duties between individuals who authorize transactions,
  - individuals who have control over related assets, and
  - routine Quality Assurance (QA) of accounting functions
- Excerpts from the minutes recording the LJHA's next Board meeting indicating the discussion of this requirement and the decision made mitigating the
  - lack accounting control measures
  - lack of segregation of duties

## **2014-002 and 2014-006: Tenant Accounts Receivable (TAR) – Write-Offs – Public and Indian Housing Program**

The auditor noted Tenant Accounts Receivable write-offs not listed in the General Ledger in a timely manner. The auditor further noted excessive write-off amounts 465% higher than in the prior fiscal year due to the LJHA not effectively enforcing its rent collection policy.

The Management Response indicates the Board of Commissioners will approve the retaining of a fee accountant on a quarterly basis. The Management Response further indicated the purpose of retaining a fee accountant would be for the preventing of recording of charge offs in the General Ledger and to "help us control our collections and to enforce our tenants to pay on time". Despite discussions for the planned retaining of fee accountant services there are several unaddressed major shortcomings to the recommendations listed in the schedule of findings. The Management Response is considered negligently inadequate. This finding is sustained.

## **Requirement**

The LJHA current accounting practice with regard to TAR threatens the financial solvency of continued operations. The LJHA would be required to provide the SAFO with the processes that specifically addresses issues identified in the schedule of findings with evidence of the following:

- Update accounting control measures included in the Administrative Plan that specifically addresses control measures over Tenant Account Receivables including, but not limited to:
  - Develop and enforce TAR policy
  - Develop and enforce criteria for late payments
    - Develop record log of tenants untimely rental payments
    - Develop follow-up processes and document results of efforts
  - Develop and enforce criteria for payment agreement plan
  - Develop and enforce eviction policy for rental non-payments and/or continued late payments
- Develop and enforce policy meeting Board criteria for write-offs
- Show evidence of collection efforts for 2014 outstanding TAR



- Provide the SAFO with the minutes recording the LJHA's next board meeting indicating the discussion of these requirement and the decision made mitigating their risks

#### **2014-003 and 2014-007: SEMAP Support Documentation – Section 8 housing Choice Voucher Program**

The auditor stated that SEMAP Indicators could not be supported by sufficient documentation and the appearance of any quality control work performed during FY 2014 relating to SEMAP submission requirements.

The Management Response stated the inability to locate any supporting documentation that would justify the Housing Authorities self-reporting of the first 7 of 14 performance indicators. The management response further suggests that supporting documentation would be provided for the December 31, 2015 Section Eight Management Assessment Program. SEMAP aids HUD target monitoring and assistance to the PHA programs requiring the most improvement.

Since it was found that the LJHA lacked the ability to justify the self-reporting for the SEMAP certification for FYE December 31, 2014, Indicators 1-7 will be readjusted by the SAFO reflecting a zero score. The LJHA will receive a separate correspondence indicating revisions to the overall score and follow-up to CAP and requiring the Housing Authority to complete. This finding is sustained.

#### **Requirement**

The LJHA SEMAP certification of the 7 self-reporting indicators could not be verified nor were they supported by adequate documentation and/or no documentation were maintained to substantiate LJHA's response. This will result in the LJHA receiving a revised **Performance Rating of SEMAP Troubled**. The result of being classified as SEMAP troubled requires HUD to conduct on-site assessment review to assess the magnitude and seriousness of the problems. The LJHA must implement a thorough Corrective Action Plan that HUD will monitor, to ensure improvement in program management. The Corrective Action Plan shall include specific remedial action items, staff accountability assignments, and date-specific program deliverables that will result in the accomplishment of the action items and bring the LJHA into full compliance with SEMAP.

SEMAP regulations (24 CFR Part 985) can be found on the PIH website at:  
<http://www.hud.gov/offices/pih/programs/hcv/semap>.

#### **2014-004 and 2014-008: Tenant Files – Public and Indian Housing Program and Section 8 Housing Choice Voucher Program**

Ten Housing Choice Voucher program file and Seven Low Rent Program tenant file samples were pulled all of which contained discrepancies. The auditor stated that tenant files were incomplete further stating the appearance that no supervisory review was performed that would ensure completeness of tenant files. The Management Response provided by the ED suggested the recent change in personnel as the reason for the inability to provide supporting documentation while further assuring that "a log would be in place for review".

Although the LJHA acknowledges tenant file deficiencies, the Management Response is severely inadequate and neglects to sufficiently address the specific deficiencies or provide any suggestion of supervisory reviews. This finding is sustained.

#### **Requirement**

The LJHA will develop processes that specifically addresses internal control measures and incorporate into the Administrative Plan specific tenant file requirements for both the Housing Choice Voucher and the Low Rent Program. These measures include, but are not limited to:

- Family Composition
- Annual Income and Assets
- Dwelling Unit/Utility Allowance
- Adjusted Income
- Rents – Public Housing only
- Family Rent and HAP – Section 8 HCV only

The LJHA will also include in the revised processes the control measures designed to provide routine supervisory review of files to ensure tenant file accuracy and completeness.

The LJHA will have until Tuesday January 31, 2017 to respond to this correspondence with evidence addressing each of these findings and requirements listed in this MDL and provide to this office. Should you have any questions or concerns you may contact Mr. Marcelo Barron, Portfolio Management Specialist, by email at: [marcelo.m.barron@hud.gov](mailto:marcelo.m.barron@hud.gov) or by phone, at (210) 478-6808.

Sincerely,



David Pohler  
Director  
Office of Public Housing

cc:

Mrs. Frances De Leon Salinas, Board Chairperson  
The Honorable Adolfo "Fito" Salinas, Mayor

bcc:  
6JPH: SEMAP file  
6JPH: Barron:4-24-17:keh  
La Joya SEMAP FYE 12-31-16 No Zero PI's

**APR 27 2017**

Mr. John Pena  
Board Chairperson  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Mr. Pena:

**SUBJECT: SEMAP Certification Final Score**  
**La Joya Housing Authority**

Thank you for completion of the Section 8 Management Assessment Program (SEMAP) certification for the La Joya Housing Authority. We appreciate the time and attention that you have given to the SEMAP assessment process. The SEMAP enables HUD to better manage the Section 8 Housing Choice Voucher Tenant-Based Assistance Program by identifying the Authority's capabilities and deficiencies as they relate to the program's administration. As a result, HUD will be able to provide more effective program assistance to the Authority.

The La Joya Housing Authority's final SEMAP score for the fiscal year ending on **December 31, 2016, is 100 percent.** The following are the Authority's individual performance indicator scores:

Indicator	1	Selection from Waiting List (24 CFR 982.54(d)(1) and 982.204(a))	15
Indicator	2	Reasonable Rent (24 CFR 982.4, 982.54(d)(15), 982.158(f)(7) and 982.507)	20
Indicator	3	Determination of Adjusted Income (24 CFR part 5, subpart F and 24 CFR 982.516)	20
Indicator	4	Utility Allowance Schedule (24 CFR 982.517)	5
Indicator	5	HQS Quality Control (24 CFR 982.405(b))	5
Indicator	6	HQS Enforcement (24 CFR 982.404)	10
Indicator	7	Expanding Housing Opportunities	N/A
Indicator	8	Payment Standards (24 CFR 982.503)	5
Indicator	9	Timely Annual Reexaminations (24 CFR 5.617)	10
Indicator	10	Correct Tenant Rent Calculations (24 CFR 982, Subpart K)	5
Indicator	11	Pre-Contract HQS Inspections (24 CFR 982.305)	5
Indicator	12	Annual HQS Inspections (24 CFR 982.405(a))	10
Indicator	13	Lease-Up	20
Indicator	14	Family Self-Sufficiency (24 CFR 984.105 and 984.305)	N/A
Indicator	15	Deconcentration Bonus	N/A

The Authority's overall SEMAP Performance Rating is **High**.

We encourage you to closely monitor your SEMAP performance throughout the year. As a part of these efforts, please ensure that your IMS/PIC data is accurate to ensure that you receive full credit on future ratings.

**BARRON**  
mmg

**UVIEDO**  
242  
4/26/17

**POHLER**

If you have any questions or require additional information, please contact Marcelo M. Barron, Financial Analyst, at (210) 475-6808.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a horizontal line extending to the right.

David Pohler  
Director  
Office of Public Housing

cc:

The Honorable Adolfo "Fito" Salinas, Mayor  
Ms. Frances De Leon Salinas  
Ms. Cristi LaJeunesse



U.S. Department of Housing and Urban Development  
San Antonio Field Office, Region VI  
Office of Public Housing  
615 E. Houston Street, Suite 347  
San Antonio, Texas 78205-2001  
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**JUL - 3 2017**

**MEMORANDUM FOR:** Jemine A. Bryon, General Deputy Assistant Secretary for Public and Indian Housing, P

**FROM:** David G. Pohler, Director, Office of Public Housing, 6JPH

**SUBJECT:** Regulatory Waiver Request  
Section 19, Annual Contributions Contract (ACC)  
La Joya Housing Authority (TX448)

We received the attached letter of a May 10, 2017 Waiver request for Section 19 of the Annual Contributions Contract (ACC) from the La Joya Housing Authority (LJHA). Approval of the waiver would allow the former Board Chairperson, Ms. Frances De Leon, to be hired as full-time Executive Director by the LJHA within the one year prohibited waiting period.

Ms. Frances De Leon resigned her position on February 17, 2017 as Board Chairperson to accept the position of Interim Executive Director on a voluntary basis. Ms. De Leon was informed by the San Antonio Field Office that in accordance with Section 19 of the ACC she could not accept the position as Executive Director for a period of one year. It should be known that Ms. De Leon was appointed to the LJHA Board as Commissioner by her father, Mayor Jose A. Salinas, who still serves as Mayor.

The LJHA would like to now hire Ms. De Leon as a full-time paid Executive Director. The San Antonio Field Office reviewed the Waiver request and found the request specifically violates Sections 19A and B, Conflict of Interest, of the ACC since Ms. De Leon is related to the Mayor. Also, the LJHA is requesting to hire Ms. De Leon within the one year prohibited waiting period, and the LJHA did not exhaust and expand all its marketing efforts to advertise the Executive Director position beyond the La Joya geographic area.

Due to the violations of section 19 of the ACC, violation of the prohibited waiting period, and not fully expanding its advertising efforts for marketing the ED's position, we believe this waiver request is not in HUD's best interest and therefore, we do not recommend it for approval.

If you have any questions or require additional information, please contact me at [David.G.Pohler@hud.gov](mailto:David.G.Pohler@hud.gov) or, at (210) 475-6892.

PHA Number: TX448

PHA Name: La Joya Housing Authority

Date of PHA request: 05/10/2017

### Regulatory Waivers

PIH Notices 2009-41 and 2013-20 present the requirements, background and process for regulatory waivers. Once a field office (FO) receives a regulatory waiver request from a public housing agency (PHA), the FO creates a SharePoint file using this page to format the master file for the PHA's request. The FO reviews the waiver request and forms a recommendation:

#### Field Office Checklist

PHA address: P.O. Box 1409

Is PHA in Receivership: ☐ Yes ☒ No

La Joya TX 78560

PHA Contact: Frances De Leon, Interim ED

Is PHA in a Presidentially declared disaster area: ☐ Yes ☒ No

Regulation from which waiver is requested: Section 19 of ACC

Field Office Reviewer: Marcelo M. Barron

Date of Review: 06/23/2017

The field office confirms the regulatory reference for the waiver request. Statutory obligations cannot be waived. Add additional comments if further clarification is needed. Waivers on identity of interest, evidentiary reviews or total development costs under 24 CFR 941 do not require a field office recommendation.

☐ Yes ☒ No Has the PHA demonstrated good cause pursuant to 24 CFR 5.110?

☒ Yes ☐ No Does the request reference the proper regulation?

☐ Yes ☒ No Does the request cause an Annual Contributions Contract (ACC) amendment?

Recommendation: ☐ Approve ☒ Deny  
☐ Approve with the following condition:

Waiver to be processed by the following program office(s):

- |  |                               |   |
|--|-------------------------------|---|
| <input checked="" type="checkbox"/> PH Management                            | <input type="checkbox"/> REAC | <input type="checkbox"/> PH Investments   |
| <input type="checkbox"/> Voucher Management                                  | <input type="checkbox"/> ONAP | <input type="checkbox"/> Field Operations |
| <input type="checkbox"/> OPHI for waivers outside of Subpart F of 24 CFR 941 |                               |   |

Field Office alerts the appropriate HHQ Program Office that the above process is completed. For tracking purposes, forward each waiver request to PIH's Correspondence Unit at HHQ.

## Regulatory Waivers for OPHI

PIH Notices 2009-41 and 2013-20 present the requirements, background and process for regulatory waivers. Once the Office of Public Housing Investments (OPHI) receives a letter requesting a waiver request from a public housing agency (PHA) for a mixed-finance project, the Deputy Assistant Secretary or Director of the Office of Urban Revitalization forwards this request to the OPHI SharePoint Contact Person (OPHI Contact). The OPHI Contact creates a SharePoint file using this page to format the master file for the PHA's request.

### Project Information

PHA name:

Project name:

### Nature of Request

Date of Letter:

Regulation from which waiver is requested:

Is good cause presented pursuant to 24 CFR 5.110? ☐ Yes ☐ No

### Assignment of Request

Grant manager/reviewer of waiver request:

Date of assignment:

OPHI is responsible for updating the OFO Waivers SharePoint site and forwarding the waiver request to the Office of General Counsel (OGC) for concurrence.

### Program Office Action

OPHI Approval Date:

If OPHI denies the request, enter date and reason for denial:

When a waiver is granted, OPHI will complete the following summary of the approved waiver and forward it to the Office of Policy, Planning and Legislative Initiatives for Federal Register publication:

Regulation:

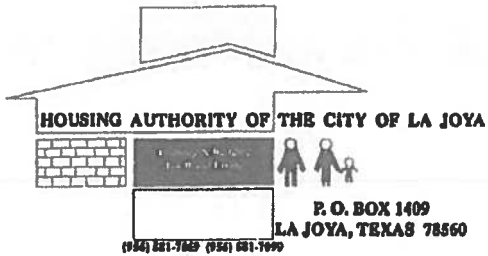
Project/Activity:

Nature of Requirement:

Granted by:

Date Granted:

Reason Waived:



JUN 8 REC'D

May 10, 2017

Mr. David Pohler, HUD Regional Director  
San Antonio Field Office  
Hipolito Garcia Federal Building  
615 East Houston Street, Suite 347  
San Antonio, Texas 78205-2001  
(210) 475-6860

Re: Waiver for Position of Executive Director - La Joya Housing Authority 7X448

Mr. Pohler,

This letter is a formal request for a Waiver from myself, John Joseph Pena, current Chairperson for the La Joya Housing Authority, and our remaining Board of Commissioners. We respectfully request that a Waiver be granted so that we may formally hire Ms. Frances Salinas (De Leon) as our permanent and paid Executive Director. She has gone above and beyond in assisting our Agency as reflected in her accomplishments discussed below. She has been graciously assisting our Agency since January 3, 2017 on a volunteer basis. Please review the following as a basis for our request:

#### **General Background and Facts**

The La Joya Housing Authority (the Housing Authority) is a municipal housing authority created pursuant to the provisions of Chapter 392 of the Texas Local Government Code (a/k/a, "the Housing Authority Law").<sup>1</sup> The Housing Authority is governed by a Board of Commissioners (the Board) which is composed of five members, each appointed by the Mayor of the City of La Joya, Texas.<sup>2</sup> The

<sup>1</sup> See Texas Local Government Code Sec. 392.001. "SHORT TITLE. This chapter may be cited as the Housing Authorities Law."

<sup>2</sup> See Texas Local Government Code Sec. 392.031. APPOINTMENT OF COMMISSIONERS OF A MUNICIPAL HOUSING AUTHORITY. (a) Each municipal housing authority shall be governed by five, seven, nine, or 11 commissioners. The presiding officer of the governing body of a municipality shall appoint five, seven, nine, or 11 persons to serve as commissioners of the authority. An appointed commissioner of the authority may not be an officer or employee of the municipality. Appointments made under this section must comply with the requirements of Section 392.0331, if applicable.



Commissioners serve as volunteers without compensation.<sup>3</sup> The Housing Authority is headed by an Executive Director who is appointed by the Board.<sup>4</sup> The Executive Director is a paid, salaried position.

Ms. Frances De Leon was appointed to the Board as Commissioner in 2013 by her father, Mayor Jose A. Salinas. After appointment, she was elected Board Chairwoman by her fellow Board members in 2014. As explained below, she remained Chairwoman until her resignation from the Board on February 17, 2017.<sup>5</sup>

Mr. Juan Jose Garza, the Housing Authority's former Executive Director, was criminally indicted in September 2016. The Board terminated Mr. Garza's employment on December 16, 2016.<sup>6</sup> Executive Director duties were assigned on an interim basis to Ms. Melissa Armijo. Ms. Armijo resigned her positions at the Housing Authority effective January 2, 2017. All remaining Housing Authority staff also resigned the same day.

On February 17 and 27, 2017, the Board advertised the vacant Executive Director position in the *Progress Times*, a newspaper with circulation in the La Joya area.<sup>7</sup> Not a single application was submitted in response to the solicitations. The position remains unfilled as of the submission of this waiver request.

On February 17, 2017, Ms. De Leon resigned her position as Commissioner and Board Chairperson.<sup>8</sup> On February 17, 2017, the Board appointed Ms. De Leon as the Interim Executive Director for the Housing Authority.<sup>9</sup> Ms. De Leon was appointed on a volunteer, non-paid basis. She continues to serve in this capacity. On, February 24, 2017, Ms. Maria G. Frausto was appointed by Mayor Salinas to fill the Board seat vacated by Ms. De Leon.<sup>10</sup>

The Board desires to remove the "Interim" designation from Ms. De Leon's title and appoint her as the Housing Authority's paid Executive Director. The Board has been informed HUD guidelines prevent Ms. De Leon from assuming a paid position with the Housing Authority until a year after her resignation from the Board. Consistent with HUD Notice PIH- 2013-20 (HA), the Board requests a "waiver"

<sup>3</sup> See Texas Local Government Code Sec. 392.035. COMPENSATION. A commissioner of a housing authority may not receive compensation for service as a commissioner. A commissioner is entitled to receive reimbursement for the necessary expense, including traveling expenses, incurred in the discharge of duties as a commissioner.

<sup>4</sup> See Texas Local Government Code Sec. 392.038. OTHER OFFICERS AND EMPLOYEES OF A MUNICIPAL OR COUNTY HOUSING AUTHORITY. A municipal or county housing authority may employ a secretary, who shall serve as executive director, and may employ technical experts and other officers, agents, and employees, permanent or temporary, the authority considers necessary. The authority shall determine the qualifications, duties, and compensation of the persons employed.

<sup>5</sup> Ms. De Leon had previously conveyed her resignation to Mayor Salinas on February 13, 2017 as indicated in the attached letter of resignation to the Mayor.

<sup>6</sup> Please see attached minutes of the La Joya Housing Authority meeting dated December 16, 2016.

<sup>7</sup> Please see attached *Progress Times* advertisements dated February 17 and 24, 2017.

<sup>8</sup> Please see attached minutes of the La Joya Housing Authority meeting dated February 17, 2017.

<sup>9</sup> Please see attached minutes of the La Joya Housing Authority meeting dated February 17, 2017.

<sup>10</sup> Please see attached Statement of Appointed Officer for Ms. Maria G. Frausto.

JUN 8 REC'D

allowing the immediate appointment of Ms. De Leon as the paid Executive Director for the Housing Authority. As presented below, good cause exists for the requested waiver.

**Circumstances Causing Vacancy in Office of Executive Director:**

Due to the rapid succession of unforeseeable events explained above, the Housing Authority has been left without a steady Executive Director since December 16, 2016. It is imperative that the position be quickly filled with a skilled and qualified applicant. Since her appointment as unpaid Interim Executive Director, Ms. De Leon has been handling all day-to-day operations at the Housing Authority. As indicated in the attached List of Accomplishments, under Ms. De Leon's leadership the Housing Authority has thrived.<sup>11</sup> She has diligently worked with the BDO accounting firm to assist in the reconciliation of our books for 2015 and 2016. As reflected in the attached documentation, BDO was promptly provided financial documentation requested by the firm.<sup>12</sup> In the opinion of the Board, Ms. De Leon has already demonstrated competence to serve as Executive Director. To her credit, she has done so largely without the assistance of staff who resigned en masse on December 28, 2016.

**Ms. De Leon's Credentials**

The attached credentials demonstrate Ms. De Leon's commitment to achieving certification in areas relevant to the Executive Director position. Certifications recently obtained by Ms. De Leon include:

- 1/24/17 - 1/27/17 - PHA Executive Management course – Texas Public Housing Association. <sup>13</sup>
- 3/07/17 - 3/08/17 - Public Housing Basic Accounting and Reporting course. <sup>14</sup>
- 3/09/17 – HCV Basic Accounting and Reporting course. <sup>15</sup>

Ms. De Leon's existing certifications related to her role as Board Commissioner also demonstrate her qualifications as Executive Director. These include:

- 2/12/14 - 2/14/14 Commissioner Basic Training<sup>16</sup>
- 2/12/14 - 2/14/14 Advanced Commissioner Training<sup>17</sup>

Ms. De Leon's professional resume is also attached for your consideration.<sup>18</sup> As can be quickly gleaned from reviewing the document, her educational and professional achievements and community involvement make her the right hire for the Board.

---

<sup>11</sup> Please see the attached List of Accomplishments

<sup>12</sup> Please see the attached BDO PHA Finance sheet.

<sup>13</sup> Please see attached Certification of Completion - PHA Executive Management course – Texas Public Housing Association

<sup>14</sup> Please see attached Certification of Completion - Public Housing Basic Accounting and Reporting course

<sup>15</sup> Please see attached Certification of Completion - HCV Basic Accounting and Reporting course

<sup>16</sup> Please see attached Certification of Completion – Commissioner Basic Training

<sup>17</sup> Please see attached Certification of Completion- Advanced Commissioner Training

<sup>18</sup> Please see attached resume of Ms. Frances Salinas De Leon

JUN 8 REC'D  
Ms. De Leon is also widely endorsed by the community. The Housing Authority has received numerous letters from tenants praising Ms. De Leon for the difference in office management, maintenance and all around satisfaction she has brought to the Housing Authority in her short time as Interim Executive Director. Community members and contractors have approached Ms. De Leon and asked her to formally apply for the Executive Director position.

**Ms. De Leon is Best Candidate for Job**

Given Ms. De Leon's years of experience on the Board and time as Interim Executive Director, she is already familiar with issues unique to the Housing Authority. Her appointment would obviate the need for the Board to re-advertise the position and expend additional time and resources vetting and interviewing new candidates who have no connection to the Housing Authority. The appointment of someone other than Ms. De Leon would require the new candidate spend considerable time, effort and public resources "catching up" and becoming familiar with the Housing Authority, its culture and the litany of legal issues recently faced by the Housing Authority. The hiring of Ms. De Leon would allow the efficient operation of the Authority to continue. She is absolutely qualified for the position given her long history of service as a Commissioner on the Board, her service as Board Chair, her extensive ties to the La Joya community and long history of public service.

**Conflict of Interest Considerations Do Not Prevent the Board from Appointing Ms. De Leon as Paid Executive Director**

As indicated by the attached legal correspondence from the Housing Authority's outside legal counsel, Sanchez & Wilson, PLLC, conflict of interest considerations does not preclude the hiring of Ms. De Leon as Executive Director."

For these reasons, a waiver is requested allowing the La Joya Housing Authority to immediately hire Ms. De Leon as Executive Director.

Please advise if additional information may be provided to facilitate this request.

Sincerely,

John Joseph Pena  
Chairperson, La Joya Housing Authority Board of Commissioners

  
Please see attached legal opinion from Sanchez & Wilson, PLLC.

# SÁNCHEZ & WILSON

A PROFESSIONAL LIMITED LIABILITY COMPANY  
ATTORNEYS AT LAW

June 2, 2017

Mr. David Pohler, HUD Regional Director  
San Antonio Field Office  
Hipolito Garcia Federal Building  
615 East Houston Street, Suite 347  
San Antonio, Texas 78205-2001

JUN 8 REC'D

Re: Waiver for Position of Executive Director – La Joya Housing Authority

Director Pohler, I write to you as legal counsel to the La Joya Housing Authority (Housing Authority). As previously discussed with your office, the Housing Authority wishes to hire Ms. Frances Salinas De Leon as its full-time Executive Director. Ms. De Leon is a former member of the Housing Authority's Board of Commissioners. Current HUD regulations prohibit housing authorities from employing former board members within a year of their separation from the board. The Housing Authority hereby requests a regulatory "waiver" allowing the immediate appointment of Ms. Frances Salinas De Leon to the position of paid Executive Director.

Pursuant to HUD Notice PIH- 2013-20 (HA), public housing agencies are to initiate regulatory waivers with their appropriate Director, Office of Public Housing Program Center Coordinator field office. Consistent with HUD Notice PIH- 2013-20 (HA), this waiver request is submitted to you for review. As presented below, conflict of interest considerations do not preclude the employment of Ms. De Leon as Executive Director.

The La Joya Housing Authority (the Housing Authority) is a municipal housing authority created pursuant to the provisions of Chapter 392 of the Texas Local Government Code (a/k/a, "the Housing Authority Law").<sup>1</sup> The Housing Authority is governed by a Board of Commissioners (the Board) which is composed of five members, each appointed by the Mayor of the City of La Joya, Texas.<sup>2</sup> The Commissioners serve as volunteers without compensation.<sup>3</sup> The Housing Authority is headed by an Executive Director who is appointed by the Board.<sup>4</sup> The Executive Director is a paid, salaried position.

<sup>1</sup> See Texas Local Government Code Sec. 392.001. "SHORT TITLE. This chapter may be cited as the Housing Authorities Law."

<sup>2</sup> See Texas Local Government Code Sec. 392.031. APPOINTMENT OF COMMISSIONERS OF A MUNICIPAL HOUSING AUTHORITY. (a) Each municipal housing authority shall be governed by five, seven, nine, or 11 commissioners. The presiding officer of the governing body of a municipality shall appoint five, seven, nine, or 11 persons to serve as commissioners of the authority. An appointed commissioner of the authority may not be an officer or employee of the municipality. Appointments made under this section must comply with the requirements of Section 392.0331, if applicable.

<sup>3</sup> See Texas Local Government Code Sec. 392.035. COMPENSATION. A commissioner of a housing authority may not receive compensation for service as a commissioner. A commissioner is entitled to receive reimbursement for the necessary expense, including traveling expenses, incurred in the discharge of duties as a commissioner.

<sup>4</sup> See Texas Local Government Code Sec. 392.038. OTHER OFFICERS AND EMPLOYEES OF A MUNICIPAL OR COUNTY HOUSING AUTHORITY. A municipal or county housing authority may employ a secretary, who

JUN 8 REC'D

Conflict  
of  
Interest  
See Sec. 14  
of ACC

Ms. Frances De Leon was appointed to the Board as Commissioner in 2013 by her father, Mayor Jose A. Salinas. After appointment, she was elected Board Chairwoman by her fellow Board members in 2014. She remained Chairwoman until her resignation from the Board on February 17, 2017.<sup>5</sup>

Mr. Juan Jose Garza, the Housing Authority's former Executive Director, was criminally indicted in September 2016. The Board terminated Mr. Garza's employment on December 16, 2016.<sup>6</sup> Executive Director duties were assigned on an interim basis to Ms. Melissa Armijo. Ms. Armijo resigned her positions at the Housing Authority effective January 2, 2017. All remaining Housing Authority staff resigned the same day.

Need to  
go outside  
Geo  
La Joya

On February 17 and 24, 2017, the Board advertised the vacant Executive Director position in the *Progress Times*, a newspaper with local circulation in the La Joya area.<sup>7</sup> Not a single application was submitted in response to the solicitation. The position remains unfilled by a full time, paid Executive Director.

On February 17, 2017, Ms. De Leon resigned her position as Commissioner and Board Chairperson.<sup>8</sup> On February 17, 2017, the Board appointed Ms. De Leon as the Interim Executive Director for the Housing Authority.<sup>9</sup> Ms. De Leon was appointed on a volunteer, non-paid basis. She continues to serve in this capacity. On, February 24, 2017, Ms. Maria G. Frausto was appointed by Mayor Salinas to fill the Board seat vacated by Ms. De Leon.<sup>10</sup>

The Board desires to remove the "Interim" designation from Ms. De Leon's title and appoint her as the Housing Authority's paid Executive Director. Consistent with HUD Notice PIH- 2013-20 (HA), the Board requests a "waiver" be granted allowing the immediate appointment of Ms. De Leon as the paid Executive Director for the Housing Authority. As presented below, conflict of interest considerations do not preclude the hiring of Ms. De Leon as Executive Director.

#### *Texas Hold Over Doctrine*

Pursuant to the Texas Constitution, all public officers hold office and continue to hold office until their successor is appointed.<sup>11</sup> This doctrine, commonly referred to as the "hold over" doctrine, is designed to avoid interruptions in a governmental body's ability to function after a sitting official resigns or is otherwise removed from office. Ms. De Leon resigned her position

shall serve as executive director, and may employ technical experts and other officers, agents, and employees, permanent or temporary, the authority considers necessary. The authority shall determine the qualifications, duties, and compensation of the persons employed.

<sup>5</sup> Ms. De Leon had previously conveyed her resignation to Mayor Salinas on February 13, 2017 as indicated in the attached letter of resignation to the Mayor.

<sup>6</sup> Please see attached minutes of the La Joya Housing Authority meeting dated December 16, 2016.

<sup>7</sup> Please see attached *Progress Times* advertisements dated February 17 and 24, 2017.

<sup>8</sup> Please see attached minutes of the La Joya Housing Authority meeting dated February 17, 2017.

<sup>9</sup> Please see attached minutes of the La Joya Housing Authority meeting dated February 17, 2017.

<sup>10</sup> Please see attached confirmation of appointment of Ms. Maria G. Frausto.

<sup>11</sup> See Texas Constitution, Article XVI, Sec. 17 OFFICERS TO SERVE UNTIL SUCCESSORS QUALIFIED. All officers within this State shall continue to perform the duties of their offices until their successors shall be duly qualified.

on the Board on February 17, 2017. Her replacement on the Board was appointed the same day. Because her successor has already been appointed to the Board, "hold over" considerations are not implicated. Because hold over issues are not involved, as explained below, conflicts proscribed by common law incompatibility are avoided.

### *Common Law Incompatibility*

Under the concept of "common-law incompatibility", a single person cannot simultaneously hold certain public offices because of practical conflicts of interest that might arise.<sup>12</sup> Within the common-law incompatibility doctrine, there exists a "self-employment prohibition" which prevents a governing body from employing one of its own members as a public employee. However, because Ms. De Leon has resigned from the Board and her successor has already been appointed, she is no longer a member of the Board. As such, the Board's employment of her as Executive Director would not violate the common-law incompatibility, "self-employment prohibition".

### *Texas Housing Authorities Law*

Chapter 392 of the Texas Local Government Code governs the creation, structure and authority of municipal Housing Authorities in Texas. Chapter 392 also sets out the authority of housing authority board members and employees. Chapter 392 does not prohibit former board members from becoming paid employees of the Housing Authority after resigning from the Board.<sup>13</sup> Unlike HUD regulations, Chapter 392 does not require Ms. De Leon to "sit out" for a given period before she is eligible for hire at the Housing Authority. Moreover, Housing Authority internal policies do not declare former board members ineligible for employment for a set period after separating from the Board.

### *Section 392.043 of the Texas Local Government Code*

Section 392.043 of the Texas Local Government Code, entitled "Interested Employees", defines financial interests and relationships that are prohibited between a housing authority and an employee. Per Section 392.043, an employee of an authority may not have dealings with a housing project for pecuniary gain and may not own, acquire, or control a direct or indirect interest in a:

- (1) housing project;
- (2) property included or planned to be included in a housing project;
- (3) contract or proposed contract for the sale of land to be used for a housing project;
- (4) contract or proposed contract for the construction of a housing project; or
- (5) contract or proposed contract for the sale of materials or services to be furnished or used in connection with a housing project.

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<sup>12</sup> See Texas Attorney General opinion, Op. Tex. Atty. Gen. Nos. JM-129 (1984); Op. Tex. Atty. Gen. Nos. KP-0119 (2017)

<sup>13</sup> There is no statutory requirement that Ms. De Leon "sit out" for a pre-scribed period before becoming employed with the Housing Authority. Internal Housing Authority policies do not declare former board members ineligible for employment for a set period of time after separating from the Board.

(b) An employee may not have any dealings with a housing project for pecuniary gain except in the performance of duties as an employee of the housing authority.

(c) Except as otherwise permitted by this chapter or another law, an employee of an authority may not be employed by or otherwise contract to provide services to another authority unless the first authority gives its written consent to the employment or contract. An employee of an authority who is employed by or who contracts to provide services to another authority under this subsection does not violate Subsection (a) or (b).<sup>14</sup>

Ms. De Leon does not have dealings with the Housing Authority for pecuniary gain described in Section 392.043(a) or (b). Ms. De Leon is not employed with a second housing authority as discussed in Section 392.043(C). Ms. De Leon is not disqualified from employment as Executive Director of the Housing Authority under Section 392.043 of the Texas Local Government Code.

### *Nepotism*

In Texas, a public official may not appoint, confirm the appointment of, or vote for the appointment or confirmation of the appointment of an individual to a position that is to be directly or indirectly compensated from public funds or fees of office if (1) the individual is related to the public official within a degree described by law, or (2) the public official holds the appointment or confirmation authority as a member of a state or local board, the legislature, or a court and the individual is related to another member of that board, legislature, or court within a degree described by law.<sup>15</sup> The parent child relationship is included within the prohibited degree of relationship.<sup>16</sup>

The Board is charged with deciding the appointment of Ms. De Leon to the office of Executive Director. Pursuant to statute, the Housing Authority employs the Executive Director and determines the Executive Director's compensation.<sup>17</sup> Ms. De Leon's father, Mayor Salinas, does not have the ability to appoint, confirm the appointment of, or vote for the appointment or confirmation of Ms. De Leon as Executive Director. Because the Mayor does not have authority or power to determine who the Board employs as Executive Director, Ms. De Leon may be employed in this capacity without offending state nepotism prohibitions.

<sup>14</sup> See Texas Local Government Code Sec. 392.043

<sup>15</sup> See Texas Government Code Sec. 573.041

<sup>16</sup> See Texas Government Code Sec. 573.023. COMPUTATION OF DEGREE OF CONSANGUINITY. (a) The degree of relationship by consanguinity between an individual and the individual's descendant is determined by the number of generations that separate them. A parent and child are related in the first degree, a grandparent and grandchild in the second degree, a great-grandparent and great-grandchild in the third degree and so on.

<sup>17</sup> See Texas Local Government Code Sec. 392.038. OTHER OFFICERS AND EMPLOYEES OF A MUNICIPAL OR COUNTY HOUSING AUTHORITY. A municipal or county housing authority may employ a secretary, who shall serve as executive director, and may employ technical experts and other officers, agents, and employees, permanent or temporary, the authority considers necessary. The authority shall determine the qualifications, duties, and compensation of the persons employed.

JUN 8 1987

Conclusion

Based on the analysis provided herein, it is my legal opinion that Ms. De Leon is eligible for employment as Executive Director of the Housing Authority. Her prior service on the Board does not create a conflict of interest which bars her employment as Executive Director.

Please advise if I may provide you additional information in connection with this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Albert E. Tovar', written over a horizontal line.

ALBERT E. TOVAR, ESQ.





U.S. Department of Housing and Urban Development  
San Antonio Field Office, Region VI  
Office of Public Housing  
Hipolito Garcia Federal Building  
615 East Houston Street, Suite 347  
San Antonio, Texas 78205-2001  
Phone (210) 475-6860 Fax (210) 472-6817  
[www.hud.gov](http://www.hud.gov) [www.espanol.hud.gov](http://www.espanol.hud.gov)

DEC 19 2017

Ms. Frances Salinas (De Leon)  
La Joya Housing Authority  
945 S. Leo Ave.  
La Joya, TX 78560

Dear Ms. Salinas:

SUBJECT: Environmental Certification and Assessment Compliance for the 2017 Capital Fund Program  
La Joya Housing Authority, TX59P448501-17

Thank you for your email message of November 30, 2017 and submission of the PHA's annual environmental certification for the FY2017 Capital Fund Program (CFP). The purpose of your submission is for continued statutory compliance with 24CFR58; **Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities**.

During our review we noted that the City Mayor, Mr. Jose A. "Fito" Salinas, certified the following Environmental Assessment documents as the Responsible Entity Certifying Official:

- Environmental Review for Activity/Project that is Exempt or Categorically Excluded Not Subject to Section 58.5

City Mayor Salinas should maintain a permanent record of the certifications in his files. In addition, please retain a copy of the certifications and any supporting documents at your housing authority. You may now begin obligating FY 2017 CFP funds in accordance with the budgeted activities we approved via form HUD-50075.1 (Annual Statement/Performance and Evaluation Report) and CFP program requirements.

If you have any other questions, please contact Marcelo M. Barron, Financial Analyst, at (210) 475-6808.

Sincerely,

David Pohler  
Director  
Office of Public Housing



U.S. Department of Housing and Urban Development  
San Antonio Field Office, Region VI  
Office of Public Housing  
Hipolito Garcia Post Office and Courthouse  
615 E. Houston Street, Suite 347  
San Antonio, Texas 78205  
Phone (210) 475-6860 Fax (210) 472-6817  
[www.hud.gov](http://www.hud.gov) [www.espanol.hud.gov](http://www.espanol.hud.gov)

JAN 29 2018

Mr. John Pena  
Board Chair  
La Joya Housing Authority  
102 W. 10<sup>th</sup> Street  
La Joya, TX 78560

Dear Mr. Pena:

Subject: Conflict of Interest – La Joya Housing Authority (LJHA)

In January of 2017, we were advised that the former LJHA Chairperson, Frances DeLeon, was voluntarily serving as Executive Director of the LJHA without pay while the LJHA pursued a permanent replacement. Subsequently, the LJHA sought HUD approval to hire the former Board Chairperson to permanently fill the position of Executive Director. HUD staff explained that the LJHA must first obtain a waiver of the conflict of interest restrictions contained in HUD's Annual Contributions Contract (ACC) with the LJHA. On August 21, 2017, HUD denied the LJHA's waiver request due to lack of good cause to allow employment of a conflicted individual.

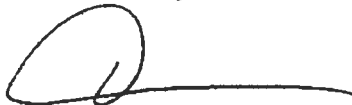
As we explained in prior telephone conversations with you in September 2017, the conflict of interest restrictions against a former board member expire after one year, however, a conflict of interest continues as it relates to restrictions against hiring an immediate family member of the Mayor. The Conflict of Interest prohibitions are cited in Section 19 of the Public Housing Annual Contributions Contract. Under 19(A)(1), "... neither the HA nor any of its contractors or their subcontractors may enter into any contract, subcontract, or arrangement in connection with a project under this ACC in which any of the following classes of people has a n interest, direct or indirect, during his or her tenure or for one year thereafter:

- (i) Any present or former member or officer of the governing body of the HA,....
- (ii) Any employee of the HA who formulates policy or who influences decisions with respect to the project(s), or any member of the employee's immediate family, or the employee's partner.
- (iii) Any public official, member of the local governing body, or State or local legislator, or any member of such individuals' immediate family, who exercises functions or responsibilities with respect to the projects(s) or the HA.

Absent a HUD waiver of section (iii) above, the LJHA may not use HUD funds to pay salary or benefits on behalf of Ms. DeLeon, due to the fact that she is the Mayor's daughter. During our conference call on January 16, 2018, with you and Ms. DeLeon, we were advised by Ms. DeLeon that she had not been paid with any federal funds while acting as the Authority's Executive Director.

If you have questions, please contact Greg Kraus, Portfolio Management Specialist, at (210) 475-6824 or by email at [Gregory.F.Kraus@hud.gov](mailto:Gregory.F.Kraus@hud.gov).

Sincerely,

A handwritten signature in dark ink, consisting of a large, stylized 'D' followed by a horizontal line extending to the right.

David Pohler  
Director  
Office of Public Housing



U.S. Department of Housing and Urban Development  
San Antonio Field Office, Region VI  
Office of Public Housing  
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**MAR 14 2018**

Ms. Frances De Leon Salinas  
Acting Executive Director  
La Joya Housing Authority  
945 South Leo  
La Joya, TX 78560

Dear Ms. Salinas:

Subject: La Joya Housing Authority  
On-site Visit April 16 – 18, 2018

We have scheduled an on-site review for April 16 – 18, 2018. The primary purpose of the review is to address the substandard physical score assessed by HUD's Real Estate Assessment Center in March of 2017. In addition to discussing the recovery actions for the physical conditions of public housing units, we would like to provide technical assistance and discuss the financial condition of the Public Housing and Housing Choice Voucher programs.

HUD staff participating in the visit will be Gordon Tabone, Engineer, Marcelo Barron, Financial Analyst, and Greg Kraus, Portfolio Management Specialist.

During the visit, we would appreciate being able to meet with the Board Chair and one other Board member. Upon conclusion of the visit, we will identify any major issues that require attention.

If you have questions, please contact Greg Kraus at 210-475-6824 or by email at [Gregory.F.Kraus@hud.gov](mailto:Gregory.F.Kraus@hud.gov).

Sincerely,

David Pohler  
Director  
Office of Public Housing

cc:

John Pena, Board Chair  
Maricruz Sifuentes, Vice Chair  
Silvia Garces-Valdez, Commissioner  
German Reyna, Commissioner



U.S. Department of Housing and Urban Development  
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**APR 24 2018**

Ms. Frances De Leon  
Interim Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

SUBJECT: TX448 La Joya Housing Authority 2017 CFP Budget Revision No. 1  
(TX59P44850117)

Dear Ms. De Leon:

We have completed a review of the subject document, which was received on April 18, 2018. Based on the results of our review, the revised annual statement revision is approved. The LOCCS system has been updated to reflect the budget line item adjustments. Please be advised that the Authority can budget no more than 20% of CFP grants to line item 1406; Operations, while having a substandard physical score under the Public Housing Assessment System.

We have enclosed an executed copy of the CFP revised Annual Statement HUD-50075.1 for your records.

If you require assistance with these changes, please contact Greg Kraus, Portfolio Management Specialist, at (210) 475-6824.

Sincerely,

A handwritten signature in black ink, which appears to read "for Joseph A. Unedo", is written over the typed name "David Pohler".

David Pohler  
Director  
Office of Public Housing

Enclosure

Annual Statement/Performance and Evaluation Report  
Capital Fund Program, Capital Fund Program Replacement Housing Factor and  
Capital Fund Financing Program

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
OMB No. 2577-0226  
Expires 8/31/2011

Part I: Summary		PHA Name: La Joya Housing Authority		Grant Type and Number TX59P44850117 Capital Fund Program Grant No: Replacement Housing Factor Grant No: Date of CFFP:		FFY of Grant: 2017 FFY of Grant Approval: 2017	
Type of Grant		<input type="checkbox"/> Original Annual Statement <input type="checkbox"/> Performance and Evaluation Report for Period Ending:		<input checked="" type="checkbox"/> Revised Annual Statement (revision no:04.17.18 ) <input type="checkbox"/> Final Performance and Evaluation Report			
Summary by Development Account		Reserve for Disasters/Emergencies		Total Estimated Cost		Total Actual Cost	
Line		Original	Revised <sup>1</sup>	Obligated	Expend		
1	Total non-CFF Funds						
2	1406 Operations (may not exceed 20% of line 21) *	\$69,108	\$47,000				
3	1408 Management Improvements		\$8,292				
4	1410 Administration (may not exceed 10% of line 21)						
5	1411 Audit						
6	1415 Liquidated Damages						
7	1430 Fees and Costs						
8	1440 Site Acquisition						
9	1450 Site Improvement						
10	1460 Dwelling Structures		\$13,816				
11	1465.1 Dwelling Equipment—Nonexpendable						
12	1470 Non-dwelling Structures						
13	1475 Non-dwelling Equipment						
14	1485 Demolition						
15	1492 Moving to Work Demonstration						
16	1495.1 Relocation Costs						
17	1499 Development Activities *						

<sup>1</sup>To be completed for the Performance and Evaluation Report.  
<sup>2</sup>To be completed for the Performance and Evaluation Report or a Revised Annual Statement.  
<sup>3</sup>PHAs with under 250 units in management may use 100% of CFF Grants for operations.  
<sup>4</sup>RHF funds shall be included here.

Annual Statement/Performance and Evaluation Report  
Capital Fund Program, Capital Fund Program Replacement Housing Factor and  
Capital Fund Financing Program

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
OMB No. 2577-0226  
Expires

08/31/2011

Part I: Summary		Grant Type and Number TX59P44850117		FFY of Grant: 2017	
PHA Name: La Joya Housing Authority		Capital Fund Program Grant No: Replacement Housing Factor Grant No:		FFY of Grant Approval: 2017	
Date of CFFP:					
Type of Grant		<input type="checkbox"/> Original Annual Statement <input type="checkbox"/> Performance and Evaluation Report for Period Ending:		<input checked="" type="checkbox"/> Revised Annual Statement (revision no: 04.17.18 ) <input type="checkbox"/> Final Performance and Evaluation Report	
Summary by Development Account		Reserve for Disasters/Emergencies		Total Estimated Cost	
Line		Original	Revised <sup>2</sup>	Obligated	Expended
18a	1501 Collateralization or Debt Service paid by the PHA				
18ba	9000 Collateralization or Debt Service paid Via System of Direct Payment				
19	1502 Contingency (may not exceed 8% of line 20)				
20	Amount of Annual Grant: (sum of lines 2 - 19)	\$69,108		\$69,108	
21	Amount of line 20 Related to LBP Activities				
22	Amount of line 20 Related to Section 504 Activities				
23	Amount of line 20 Related to Security - Soft Costs				
24	Amount of line 20 Related to Security - Hard Costs				
25	Amount of line 20 Related to Energy Conservation Measures				
Signature of Executive Director		Date		Signature of Public Housing Director	
04/17/2018		4/12/18		4/24/18	

<sup>1</sup> To be completed for the Performance and Evaluation Report.  
<sup>2</sup> To be completed for the Performance and Evaluation Report or a Revised Annual Statement.  
 PHAs with under 250 units in management may use 100% of CFF Grants for operations.  
<sup>4</sup> RHF funds shall be included here.

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
OMB No. 2577-0226  
Expires

# EXPLAINS

Page 3



<sup>2</sup> To be completed for the Performance and Evaluation Report.

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
OMB No. 2577-0226  
Expires

2018 APR 19 PM 12:23

[illegible]

' Obligation and expenditure end dated can only be revised with HUD approval pursuant to Section 9j of the U.S. Housing Act of 1937, as amended.

2018 APR 19 PM 12:28

SAH  
FILLMORE



U.S. Department of Housing and Urban Development  
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MAY / 6 2018

Ms. Frances De Leon  
Acting Executive Director  
La Joya Housing Authority  
945 South Leo Avenue  
La Joya, Texas 78560

Dear Ms. De Leon:

SUBJECT: Section 8 Management Assessment Program (SEMAP)  
Audit Adjustment to the 2016 SEMAP Score  
On Site Assessment – April 16 – 18, 2018

The IPA Audit for your Agency for the fiscal year ending December 31, 2016, revealed audit findings related to the SEMAP Certification. Specifically, the findings noted that the Authority did not have documentation to support that the required quality control sampling was conducted for SEMAP Indicators 1, 2, 3, 5, and 6. In addition, the audit also noted deficiencies with Indicators No. 10, Correct Tenant Rent Calculations, and Indicator No. 12, Continuing HQS Inspections. As a part of HUD's on-site review from April 16, 2017, through April 18, 2017, we also advised the Authority that they must comply with Indicator 7; Affirmatively Furthering Fair Housing, as they are located in Hidalgo County which is a Metropolitan Statistical Area (a geographic region with a relatively high population density). **As a result of the Audit adjustments, the Authority's SEMAP designation is now "troubled"**. Greg Kraus from our San Antonio Office of Public Housing conducted an assessment review of your SEMAP at the Authority. This review was required under the SEMAP regulations due to the Authority's troubled status designation for the fiscal year ending on December 31, 2016. We would like to thank you and the Authority staff for the courtesy extended during the review.

To assess the Authority's performance under the SEMAP, we reviewed past and current data, policies, and practices with the contract Program Manager and the Acting Executive Director. As a result, agreement was reached that the Authority had not corrected the SEMAP deficiencies noted in the 2016 audit and was still performing at an overall troubled status level. Enclosed is a revised scoring sheet for the 2016 SEMAP as reflected in IMS/PIC. In addition, due to the delay in revising the 2016 score the Authority did not conduct any quality control sampling for the fiscal year ended December 31, 2017. While on-site, a Corrective Action Plan was developed and agreed upon by HUD and PHA staff.

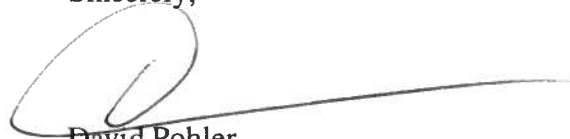
A description of the deficiencies/findings is provided in the enclosed review report.

findings. The CAP's eight requirements are explained in 24 CFR Part 985.107(c).

Within the same 30 calendar day period as previously noted, the Authority can file a written appeal for any aspect of our office's review should there be a disagreement. The appeal must contain the following items: (1) detailed description of the basis for the Authority's disagreement and (2) complete evidence/documentation to support the Authority's position.

If you have any questions, please contact Greg Kraus, Public Housing Revitalization Specialist at (210) 475-6824.

Sincerely,



David Pohler  
Director  
Office of Public Housing

Enclosure

cc:  
Commissioners  
Mayor

OK

Kraus

5-14-18

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5/14/18

## On-Site SEMAP Assessment Review Report

April 16 – 18, 2018

La Jova Housing Authority

### Executive Summary

The SEMAP is the regulatory tool that the Department uses on a continuing basis to evaluate the performance of the Authority's Housing Choice Voucher (HCV) program. The regulations at 24 CFR 985.107 require that our Department conduct an on-site assessment of each newly designated SEMAP troubled PHA. It was necessary to conduct this assessment due to the Authority's troubled designation status for the fiscal year ending December 31, 2016. For the assessment, our staff reviewed performance for the fiscal years ending in 2016, 2017, as well as current data, practices, and policies. Our determinations were based upon available records, information gathered through interviews with the Authority's staff, and file reviews.

The Audit findings and our review identified deficiencies for the following PIs that will need to be addressed through a formal Corrective Action Plan (CAP): Nos. 1 – Selection from Waiting List, 2 – Reasonable Rent, 3 – Determination of Adjusted Income, 4 – Utility Allowance, 5 - Housing Quality Standards (HQS), 6 – HQS Enforcement, 7 – Affirmatively Furthering Fair Housing, 10 – Correct Tenant Rent Calculation, and 12 – Continuing HQS Inspections. **Please note that the audit findings related to SEMAP will be closed and resolution of the deficiencies will be tracked through the Authority's CAP.**

It is our conclusion that the primary factors for these deficiencies was (1) lack of oversight of the employee that carried out the day to day Section 8 functions and (2) lack of quality control sampling and reviews to ensure program compliance. To address this situation, we recommend that the ED and assistant receive additional program training through contract providers (if funds are available) and by networking with neighboring housing authorities who are operating successful HCV programs.

More detailed information concerning the deficiencies and the areas that the written Corrective Action Plan (CAP) needs to address for improving performance are provided in the report's narrative. The CAP needs to address each of the following items for each deficient indicator (Reference 24 CFR Part 985.107(c)):

1. Specify the goals to be achieved;
2. Identify obstacles to goal achievement and ways to eliminate or avoid them;
3. Identify resources that will be used or sought to achieve goals;
4. Identify the PHA staff person with lead responsibility for completing each goal;
5. Identify key tasks to reach each goal;
6. Specify the timeframes for achievement of each goal, including intermediate timeframes to complete each key task;
7. Provide for regular evaluation of progress toward improvement; and,
8. Be signed by the PHA Board of Commissioner's Chairperson and by the PHA Executive Director (Reference 24 CFR 985.107).

## **Assessment Review Report**

### **Performance Indicator (PI) No. 1 – Selection from Waiting List**

This PI requires that the Authority have a waiting list policy in its approved Administrative Plan and certify the completion of quality control samples that (1) at least 98% of families were selected from the waiting list in accordance with this written policy and (2) at least 98% applicants met the selection criteria to determine their places on the waiting list and subsequent order of selection. As noted in the December 31, 2016 Audit, we confirmed that no quality control sampling had been conducted for this Indicator. The Administrative Plan does provide for selecting applicants by date and time as well as meeting the income targeting requirements. In addition, the current wait list does contain the elements required by 24 CFR 982.204. However, there is no documentation maintained to record the status / disposition of families reaching the top of the wait list. For this Indicators corrective action, the CAP submission needs to address the following items: (1) actions the Authority will take to adopt quality control sampling procedures, (2) designation of the staff person that will be responsible for the quality control sampling required for the SEMAP, and (3) procedure to document the status / disposition of each family reaching the top of the wait list.

### **PI No. 2 – Reasonable Rent**

For this PI, the Authority needs to have and implement a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based upon current rents for comparable unassisted units. A quality control sample is required to verify that the policy is being followed. The Audit for the period ending December 31, 2016, noted that there was no quality control sampling for this Indicator. We reviewed the rent reasonableness procedures in the Administrative Plan and found they did not contain a complete written method for determining and documenting rent reasonableness. (see 24 CFR Part 982.507). In addition, the Authority did not have a comparable database. By not completing rent reasonableness determinations, the Authority could be overpaying subsidy on program units. Lack of the noted determinations, a current database of rent comparables, and no quality control sample constitute a finding under 24 CFR Part 982.507 and 985.3(b). The cause of this finding appears to be a lack of program knowledge and understanding of the Section 8 regulations by current and former staff. As the finding's corrective action, the CAP needs to address the following items: (1) revisions to the Administrative Plan so that it contains a reasonable written method for determining rent reasonableness, (2) use of a form to document the rent reasonableness determination, (3) maintenance of a current rent comparable database, (4) designation of the staff person that will be responsible for the quality control sampling required for the SEMAP, and (5) ensure that the Authority implements a procedure for the required quality control sampling required by the SEMAP regulations.

### **PI No. 3 – Determination of Adjusted Income**

To comply with this PI, the Authority must meet the requirements of 24 CFR Part 5, subpart F, and 982.516. Additionally, 24 CFR Part 985.3(c) requires the Authority to conduct a

QC sample of the HCV program's tenant files to evaluate different components of the adjusted income determination process. To achieve an acceptable level of performance for this indicator, the Authority must meet the above standards for at least 80% of the files sampled. Audit Finding 2016-003 noted that there was no quality control sampling conducted for the period ending December 31, 2016. Due to the lack of quality control sampling, the Authority was unaware of adjusted income errors were being made by Section 8 staff person. We were advised that the contract Program Manager was in the process of completing file reviews and was approximately 80% complete at the time of the review. Not having a quality control sample for this indicator constitutes a finding under 24 CFR Part 985.3(c). As the finding's corrective action, the CAP needs to address (1) who will conduct the required quality control sampling to determine if the work documented in the files or records conforms to program requirements, (2) ensure that the Authority implements a procedure for the required quality control sampling required by the SEMAP regulations, and (3) a timeline for reviewing each participant's file to determine if the adjusted income was calculated correctly.

#### PI No. 4 – Utility Allowance Schedule

The regulations at 24 CFR Part 982.517 require the Authority to maintain an up-to-date utility allowance schedule. The Authority must review its schedule of utility allowances each year and adjust its utility allowance schedule accordingly if there has been a change of at least ten percent in a utility rate since the last time the schedule was revised. These regulatory requirements are the standard that the Authority must achieve for acceptable performance under this indicator. We found that the Authority had not reviewed the utility allowance in two years. The CAP should address when the review will be completed this fiscal year and each fiscal year thereafter.

#### PI No. 5 - HQS Quality Control

This indicator shows whether a PHA supervisor or other qualified person re-inspects a sample of units under contract during the PHA fiscal year (24 CFR 985.3(e)). The PHA supervisor's re-inspected sample is to be drawn from recently completed HQS inspections (i.e., performed during the 3 months preceding re-inspection) and is to be drawn to represent a cross section of neighborhoods and inspectors. As noted in Finding 2016-003, we found that the Authority was not conducting quality control inspections at the time of our review. Not conducting HQS Quality Control violates the regulations above and could result in substandard or unsafe housing conditions. Under the CAP, the Authority will need to address this Finding by (1) designating the person that will conduct the required re-inspections, (2) implement a QC procedure for this Indicator, and (3) develop a file to validate and document the QC sampling of inspections.

#### PI No. 6 – HQS Enforcement

This indicator shows whether, following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no

more than 30 calendar days from the inspection or any PHA approved extension. In addition, if HQS deficiencies are not corrected timely, the indicator shows whether the PHA stops (abates) housing assistance payments beginning no later than the first of the month following the specified correction period, terminates the HAP contract, or for family caused defects, takes prompt and vigorous action to enforce the family obligations. As noted in the Audit Findings, the Authority had not been conducting annual inspections (see Indicator No. 12 below) and therefore would not know if units met HQS. Not conducting annual HQS inspections would likely result in substandard unit conditions and ineligible HAP payments. As the finding's corrective action, procedures need to be developed under the CAP to ensure that all identified HQS deficiencies are addressed within the 24 hour or 30 day timeframes as appropriate. Also, the CAP should designate the person that will be responsible to conduct the quality control sampling and provide for a method to document the quality control sampling for this Indicator.

#### PI No. 7 – Expanding Housing Opportunities

This indicator applies only to PHAs with jurisdiction in metropolitan FMR areas. The indicator shows whether the PHA has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher holders of the full range of areas where they may lease units both inside and outside the PHA's jurisdiction; and supplies a list of landlords or other parties who are willing to lease units or help families find units, including units outside areas of poverty or minority concentration. (24 CFR 982.54(d)(5), 982.301(a) and 982.301(b)(4) and 982.301(b)(12)). Our review revealed that the Authority was not in compliance with any of the 6 required elements listed in 24 CFR 985.3(g). It is unclear as to why the Authority has not complied with this indicator. To address this finding in the CAP, the Authority needs to detail procedures on how these requirements will be met and provide evidence that they have been completed.

#### PI No. 8 – Payment Standards

The regulations at 24 CFR Part 982.503 require the Authority to adopt current voucher program payment standards by unit size for each Fair Market Rent (FMR) area under its jurisdiction. As the performance standard established for this indicator (24 CFR 985.3(i)), the Authority is required to set its payment standards within a 90% to 110% range of the current FY FMR's. We found that the Authority was using payments standards that were set at 100% of the 2018 FMR's.

PI No. 9 – Timely Annual Reexaminations

PI No. 10 - Correct Tenant Rent Calculations

PI No. 11 - Pre-contract HQS Inspections

PI No. 12 – Annual HQS Inspections

The scores for these indicators are generated by our Department's Public and Indian Housing Inventory Management System based upon the Authority's reporting of participant data. As a pre-requisite to calculating individual scores for these indicators, the Authority must have an overall reporting rate of 95% or higher. As of April 30, 2018, the Authority had a 90 %



reporting rate. The IPA Audit for the period ending December 31, 2016, noted findings for Indicator No. 10, Correct Tenant Rent Calculations, and Indicator No. 12, Annual HQS Inspections.

#### PI No. 10 – Correct Tenant Rent Calculations

As noted in Audit Finding 2016-008, a review of files revealed multiple instances of the housing assistance payment (HAP) being improperly calculated or continued for an extended period after the assisted family's participation in the HCV program had ended. The CAP should address a timeframe for reviewing all files for accurate HAP calculations and a procedure to ensure that HAP is not paid when assisted families leave or are terminated from the HCV program.

#### PI No. 12 – Annual HQS Inspections

As noted in Audit Finding 2016-007, the Authority was unable to provide evidence that annual HQS inspections were being conducted. As reflected under PI No. 6, this could result in substandard unit conditions and ineligible HAP payments. The CAP should address the implementation of an inspection schedule to ensure this requirements for this Indicator are met.

#### PI No. 13 – Lease-Up

This indicator measures the Authority's performance in maximizing its utilization of available vouchers to assist families under the HCV program. This indicator's score is based upon one of the following two items that has the higher percentage rate: (1) vouchers leased during the certifications applicable FY Time Period or (2) utilization of the Authority's HCV program budget authority during the certification's applicable FY Time Period. As the performance standard for this indicator to receive the minimum 15 point score, the Authority must have at least a 95 percent rate for the higher percentage item during the covered FY. To receive the maximum 20 point score for performance under this indicator, the Authority must have at least a 98 percent rate for the higher percentage item during the covered FY. For the period ending December 31, 2017, the Authority achieved a 101% budget utilization rate. Therefore, the Authority would have been entitled to 20 points for this Indicator.

The La Joya Housing Authority's **revised** SEMAP score for the fiscal year ending on December 31, 2016, is 30 percent. The following are the Authority's individual performance indicator scores:

Indicator	1	Selection from Waiting List (24 CFR 982.54(d)(1) and 982.204(a))	0
Indicator	2	Reasonable Rent (24 CFR 982.4, 982.54(d)(15), 982.158(f)(7) and 982.507)	0
Indicator	3	Determination of Adjusted Income (24 CFR part 5, subpart F and 24 CFR 982.516)	0
Indicator	4	Utility Allowance Schedule (24 CFR 982.517)	0
Indicator	5	HQS Quality Control (24 CFR 982.405(b))	0
Indicator	6	HQS Enforcement (24 CFR 982.404)	0
Indicator	7	Expanding Housing Opportunities	0
Indicator	8	Payment Standards (24 CFR 982.503)	5
Indicator	9	Timely Annual Reexaminations (24 CFR 5.617)	10
Indicator	10	Correct Tenant Rent Calculations (24 CFR 982, Subpart K)	0
Indicator	11	Pre-Contract HQS Inspections (24 CFR 982.305)	5
Indicator	12	Annual HQS Inspections (24 CFR 982.405(a))	0
Indicator	13	Lease-Up	20
Indicator	14	Family Self-Sufficiency (24 CFR 984.105 and 984.305)	N/A
Indicator	15	Deconcentration Bonus	N/A



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**JUN 29 2018**

Ms. Frances De Leon Salinas  
Acting Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Ms. Salinas:

**SUBJECT: La Joya Housing Authority**  
**On-site Technical Assistance Site Visit – April 16 - 18, 2018**

Thank you for taking the time to meet with HUD staff during their visit to the La Joya Housing Authority on April 16 - 18, 2018. Our staff conducted a cursory review of the performance of the Authority's programs and compliance with HUD program requirements and regulations. The review team was comprised of the following HUD staff members: Gordon Tabone, Engineer, Marcelo Barron, Financial Analyst, and Greg Kraus, Portfolio Management Specialist. During the review, our team met with yourself, Board members Maricruz Sifuentes and John Pena, and Cristi LaJeunesse, Contract Program Manager. We appreciate the hospitality extended to the team during the review.

The primary purpose of the review was to address the substandard physical score assessed by HUD's Real Estate Assessment Center in March of 2017. In addition to discussing the recovery actions for the physical conditions of public housing units, the team reviewed program activities related to the overall governance and management, Housing Choice Voucher (HCV) program administration, and Public Housing program administration. During the meetings, HUD staff explained the relationship between HUD and the LJHA as well as the role of the Board of Commissioners. They also discussed the present financial condition in the public housing and Section 8 HCV program. At the end of CY 2017 the public housing operating reserve did not have enough current net assets to cover even one month of expenses, and the HCV administrative balance was negative. The 2018 operating budget for the public housing program projects income of \$368,247 and expenses of \$340,609. It should be noted that the budget income includes \$35,000 in transfers from the past Capital Fund grants, without which the budget would have projected a \$7,362 deficit. However, due to the physical needs of the Authority, HUD will not allow more than 20% of the 2018 Capital Fund to be transferred to operations, and the budget will need to be revised accordingly. Overall, we have serious concerns on how the Authority is being managed by the staff and overseen by the Board of Commissioners. The Authority will need to develop a recovery plan to improve their physical condition and financial viability or consider transferring the program to a neighboring Agency with the administrative capacity and assets to operate a viable program. The results of the visit are detailed below.

## Physical

The LJHA's physical scores are based on the results of inspections conducted by independent contractors working for HUD. The FY 2017 physical score for the LJHA released by REAC on March 6, 2017, was **30%** (i.e. 12 out of possible **40** points). More specifically, the score issued to the LJHA was **30c**, where "c" indicates that *Exigent Health & Safety* (EH&S) items were identified that needed to be corrected within 24 hours. **41.16** points were deducted for these EH&S items. In addition, **28.41** points were deducted from the LJHA for non-EH&S items. See Score Summary below.

### Score Summary

Area	Possible Points	Deductions (Excluding H&S)	Pre-H&S Points	H&S Deductions	Final Points
Site	21.34	4.28	17.06	17.06	0.00
Building Exterior	17.48	5.97	11.50	0.75	10.75
Building Systems	13.38	0.00	13.38	0.00	13.38
Common Area	0.43	0.23	0.20	0.19	0.02
Unit	47.37	17.93	29.44	23.16	6.28
Total	<b>100.00</b>	<b>28.41</b>	<b>71.59</b>	<b>41.16</b>	<b>30.43</b>
				<b>Final Score</b>	<b>30c*</b>




HUD requires that the LJHA correct all exigent health and safety violations within 24 hours and document the correction of these violations in HUD Secure Systems under PASS. The LJHA failed to document correction of *seventy-nine (79)* EH&S items listed in the REAC inspection report. Examples of the **79** items requiring *mitigation* include sharp edges, missing smoke detectors, inoperable GFI's, mold/mildew, missing bathroom fixtures, insects, electrical and tripping hazards, and ground erosion.

To complete the mitigation process, an *Action Comment* should be added to the EH&S reporting system module showing that the items were satisfactorily *mitigated*. It is recommended that the LJHA also include a **Work Order Number**, along with its *Action Comment*, as a verification record that the work was accomplished. See the arrow shown below.

**Exigent Health & Safety (EHS) Details** [Print Version](#)**EHS Defect Details**

<b>Inspection ID</b>	587830	
<b>Area</b>	Unit #108 East 9-1/2 Street	<b>Building #30</b>
<b>Item</b>	Electrical System	<b>Location</b>
<b>Defect Name</b>	HS – Missing Breakers/Fuses (Life Threatening)	
<b>Defect Recorded Date</b>	03/02/2017	<b>Reported Date</b>
<b>Mitigation Date</b>		<b>Mitigation</b>
		<b>Late</b>
<b>Inspector Comment</b>		

**Emergency/Fire Exits : HS - Emergency/Fire Exits Blocked/Unusable (Emergency/Fire Exits)**

<b>Report Date</b>	03/06/2017
<b>Action</b>	
<b>Action Comment</b>	
<b>Action Date</b>	06/15/2017 
<b>Review Type</b>	<input type="checkbox"/> Offsite <input type="checkbox"/> Onsite

Note: For Review Type Off-Site, please enter the documentation by the PHA/POA in action comment field.

Shown below are the LJHA's "Top 20 Observed Defects." This information presents the most commonly cited defects in the most recent inspection as compared to the previous inspection. These items should be considered in planning for routine maintenance and in preparing for future REAC physical inspections.

### Top 20 Observed Defects

Comparison of the Top 20 Observed Defects (Projected)* La Joya Housing Authority (TX448) Most Recent Inspections vs Previous Inspections (DCD 4.0) (Rank order based on the percent of the total defect count for the most recent released inspection) Back to PHA Selection								
Area (A)	Item Name (B)	HS (C)	Defect Description (D)	Most Recent Count of Defects (E)	Most Recent % of Total Defects (F)	Previous Count of Defects (G)	Previous % of Total Defects (H)	% Point Difference (I)
Unit	Bathroom Items		Unit - Lavatory Sink - Damaged/Missing (Bathroom)	39	9.1%	11	9.2%	(0.1%)
Unit	Bathroom Items		Unit - Shower/Tub - Damaged/Missing (Bathroom)	31	7.2%	0	0.0%	7.2%
Unit	Doors		Unit - Damaged Surface (Holes/Paint/Rust/Glass) (Doors)	25	5.8%	0	0.0%	5.8%
Unit	Windows		Unit - Damaged/Missing Screens (Windows)	25	5.8%	0	0.0%	5.8%
Unit	Doors		Unit - Damaged Hardware/Locks (Doors)	25	5.8%	0	0.0%	5.8%
Health And Safety-Unit	Smoke Detector	LT	Unit - Missing/Inoperable (Smoke Detector)	22	5.1%	3	2.5%	2.6%
Unit	Ceiling		Unit - Peeling/Needs Paint (Ceiling)	17	4.0%	0	0.0%	4.0%
Health And Safety-Unit	Emergency/Fire Exits	LT	HS - Emergency/Fire Exits Blocked/Unusable (Emergency/Fire Exits)	17	4.0%	8	6.7%	(2.7%)
Building Exterior	Walls		BE- Missing Pieces/Holes/Spalling (Walls)	15	3.5%	0	0.0%	3.5%
Unit	Lighting		Unit - Missing/Inoperable Fixture (Lighting)	14	3.3%	0	0.0%	3.3%
Unit	Kitchen Items		Unit - Range/Stove- Missing/Damaged/Inoperable (Kitchen)	14	3.3%	11	9.2%	(5.9%)
Building Exterior	Roofs		BE- Damaged Soffits/Fascia (Roofs)	13	3.0%	0	0.0%	3.0%
Health And Safety-Unit	Flammable/Combustible Materials	NLT	HS - Improperly Stored (Flammable/Combustible Materials)	11	2.6%	0	0.0%	2.6%
Health And Safety-Unit	Electrical System	NLT	Unit - GFI - Inoperable (Electrical System)	11	2.6%	8	6.7%	(4.1%)
Health And Safety-Unit	Air Quality	NLT	HS - Mold and/or Mildew Observed (Air Quality)	11	2.6%	0	0.0%	2.6%
Health And Safety-Unit	Windows	NLT	Unit - Inoperable/Not Lockable (Windows)	11	2.6%	0	0.0%	2.6%
Unit	Kitchen Items		Unit - Refrigerator - Missing/Damaged/Inoperable (Kitchen)	8	1.9%	14	11.7%	(9.8%)
Unit	Doors		Unit - Damaged/Missing Screen/Storm/Security Door (Doors)	8	1.9%	0	0.0%	1.9%
Unit	Walls		Unit - Damaged (Walls)	8	1.9%	0	0.0%	1.9%
Unit	Ceiling		Unit - Mold/Mildew/Water Stains/Water Damage (Ceiling)	6	1.4%	6	5.0%	(3.6%)
All Other Defects Excluding Top 20				98	22.8%	59	49.2%	(26.4%)
Total Count of all Defects				429	100.0%	120	100.0%	
Total Number of developments inspected				1		1		

We discussed these deficiencies with the Executive Director and the staff and reviewed how best to address them.

- Using the REAC inspection report as a guide, the LJHA agreed to re-inspect all their sites looking for the top 20 items observed defects as identified above (Note: the LJHA had already hired an outside inspection contractor (i.e. the *Inspection Group*) who had already conducted an overall inspection of the units and property and noted the deficiencies;
- After re-inspecting, the LJHA will come up with a list of items identified and prepare a cost estimate to do the work; and,
- After analyzing their budgets (i.e. CFP and Op Fund) and labor costs, the LJHA will decide on the best approach to take, to either to contract out the work, hire additional temporary maintenance staff, and/or to do the repair work in-house with their current maintenance staff.

LJHA's maintenance staff should be responding to everyday normal work items, including tenant complaints, vacancy turn-around, and Work Orders, while at the same time being able to address the major point deduction items noted in the REAC inspection report. By doing systematic repair work prior to the next inspection, the LJHA's overall PASS score should improve.

### Financial

The Public Housing Assessment scoring chart shown below was discussed with PHA staff and Board personnel. Overall, as can be seen in the chart, PHAS scores have been trending downward for the last five years.

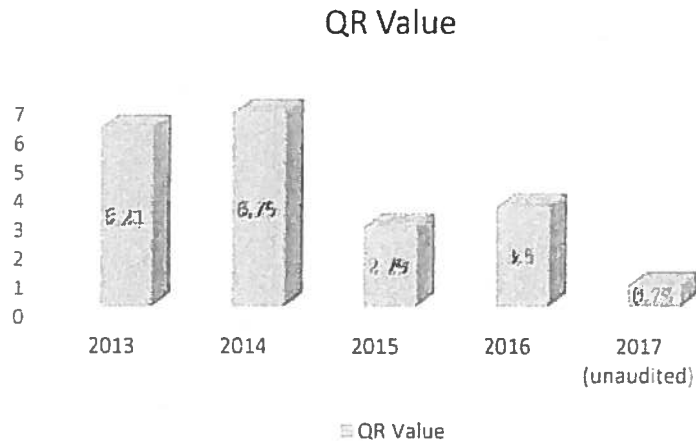
	Small PHA Deregulation (Advisory Score)	Standard Performer			
	2013	2014			
PHAS	67	78	Small PHA Deregulation (Advisory Score)	Substandard Physical	Small PHA Deregulation (Advisory Score) Unaudited
Physical	32	28	2015	2016	2017
Financial*	0	20	63	66	23
Management	25	20	28	12	12
Capital Fund	10	10	0	22	2
			25	22	4
			10	10	5

\* The Financial score of "2" for 2017 is based on the LJHA's unaudited FDS submission to HUD. The Financial scores of "zero" in 2015 and 2013 were due to a "Late Presumptive Failure" received by LJHA for one of the following reasons:

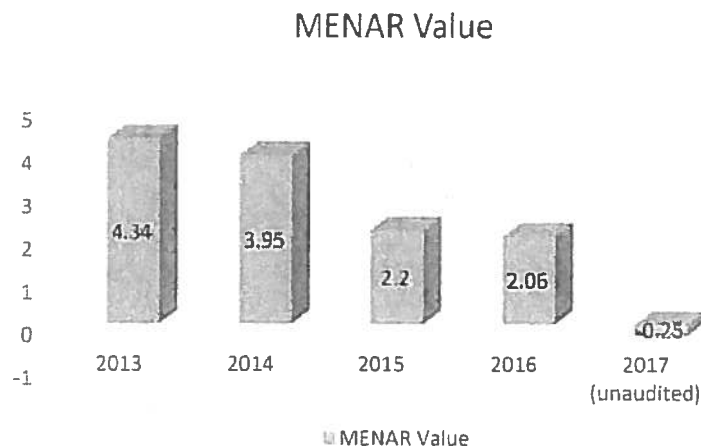
- failure to submit the audited financial submission for fiscal year end (date).
- failure to adhere to the audited financial submission deadline component of PHAS for fiscal year end (date).
- failure to resubmit the rejected audited financial information within the 15-day timeframe from the date of HUD's rejection.

We pointed out to the Executive staff and Board members that the LJHA's key Financial sub-indicators, including the Quick Ratio (QR) and Monthly Expense Net Asset Ratio (MENAR), have trended downward for the last five years

**Quick Ratio (QR)** – The Quick Ratio is a measure of financial liquidity and indicates the extent to which the LJHA's current assets cover current liabilities. A QR of one would indicate that the current assets cover all current liabilities. Therefore, a QR of one or more is acceptable, but a QR of less than one would indicate an inability to cover all current liabilities with current assets. As the below chart illustrates, the LJHA's QR has been declining over the past five years, and in the LJHA's most recent unaudited submission to HUD for FYE 2017, the QR has declined to .75, which indicates the LJHA only had the ability to cover 75% of all its current liabilities with current assets.



**Months Expendable Net Asset Ratio (MENAR)** – The MENAR measures the ability of the PHA to cover its own operating expenses, assuming no further assistances from HUD or other sources, and is measured in months. As can be seen in the below chart, the LJHA's MENAR has been declining over the last five years. The most recent MENAR is -0.25 for FYE 2017, which indicates that the LJHA did not have enough net assets to cover even one month of operating expenses, without assistance from HUD or other sources.





The table shown below indicates that over the last five years, income has declined while expenses have increased. In FYE 2017, the LJHA reported income of \$343,815 and expenses of \$411,689, resulting in a net deficit of \$67,874. This trend is concerning to HUD and resulted in the PHA's current financial position under which it currently has very limited operating reserves, as reserves have been used when there was not enough income to cover expenses. As previously noted, the PHA has transferred funds to operations from the Capital Fund Program, for three of the previous four years, to cover its increasing expenses. This potentially represents disinvestment in needed capital improvements, resulting in a decline in the physical condition of the units. As noted earlier, HUD will not allow LJHA to transfer more than 20% of the 2018 Capital Fund to operations.

	<b>2013 Audited/A- 133</b>	<b>2014 Audited/A- 133</b>	<b>2015 Audited/Single Audit</b>	<b>2016 Audited/Single Audit</b>	<b>2017 Unaudited/ Single Audit</b>
<b>Net Income</b>					
<b>Income</b>	\$ 409,987	\$ 381,184	\$ 378,593	\$ 387,830	\$ 343,815
<b>Operating Expenses</b>	\$ 347,364	\$ 323,324	\$ 369,405	\$ 345,666	\$ 411,689
<b>Net Income +/-</b>	\$ 62,623	\$ 57,860	\$ 9,188	\$ 42,164	\$ (67,874)

<b>Op Transfer In</b>	\$ -	\$ 57,428	\$ 81,866	\$ 69,006	\$ -
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We emphasized to LJHA Executive staff and Board members that, based on the financial data, the PHA's financial practices are unsustainable. We recommend the LJHA review current expenses and implement a balanced budget, that is monitored through review of budget to actual costs at monthly Board meetings. Also discussed was the enclosed copy of a Peer-to-Peer analysis report that compares the Authority's per unit costs to that of like-sized agencies throughout our region. In summary, the Peer-to-Peer analysis indicates that while the LJHA receives higher subsidies, it also continues to generate higher expenses when compared to similar PHAs. As noted in the excerpt below from the Peer-to-Peer report, the LJHA is spending significantly more than its peers on the following routine operating expenses such as: administrative salaries, employee benefits, other administrative, and M&O Contracts. During the review, we highly recommended to the Board and ED that they carefully review and analyze the PHA's income and expense data and begin to scrutinize the necessity and reasonableness of each operating expense of the Authority.

### **Management Assessment Subsystem (MASS)**

For the fiscal year ended 12/31/17, the Authority received a preliminary score of 4 out of 25 under the MASS component of PHAS. This was primarily due to low occupancy and a high Tenant Accounts Receivable balance. The preliminary score reflects an 86% occupancy rate. While on-site, the Contract Manager advised us that the occupancy used in the unaudited submission was incorrect and would be corrected to reflect a 98% occupancy rate in the audited submission. For the previous four years, the Authority maintained reported a 98% occupancy rate.

The LJHA received 0 of 5 possible points (preliminary score pending final audit) under the Tenants Accounts Receivable measure due to poor rent collections in 2017. We were provided with a Board Resolution passed in December 2017 which approved the write-off of \$2,999; however, this amount was not excluded from the preliminary data submitted to HUD. Even with this amount deducted from the unaudited figure the Authority would still receive a 0 score for TARS. The Authority reported \$8,170 in uncollected rent against rental charges of \$119,193. The result is 6.9% uncollected in uncollected rent. If we adjust the uncollected amount to include the Board approved write-off, the result is 4.3%, which still exceeds the 2.5% threshold required to receive points under the TARS measure. High TARS contribute to the financial challenges currently being experienced by the Authority. A related issue is the current audit finding regarding the Authority's past practice of writing off TARS directly to the tenant revenue accounts to increase the REAC score. This audit finding will be address by separate letter.

### **Capital Fund Measure under PHAS**

PHAS scoring under the Capital Fund Program is comprised of two components. 5 points are awarded to PHAs that met their Capital Fund obligation deadlines. An additional 5 points is provided to PHAs that ended the fiscal year with 95% of units leased. For the preliminary 2017 score, the LJHA received 5 points for timely obligations, but received 0 points for occupancy. The unaudited data submitted by the Authority reflected 38 out of the 50 units being leased on the last day of the fiscal year, or 76%. Staff advised that the audited submission would be corrected to reflect a higher rate as they had software reporting issues and not an occupancy issue. At the time of the review staff reported the occupancy to be 98%. We encourage the LJHA to constantly focus on filling all units with emphasis to ensure high occupancy on the last day of each fiscal year, for purposes of the Capital Fund occupancy sub-indicator

HUD issued recent guidance via Notice 2018-03 clarifying that small PHAs will no longer be able to transfer 100% of capital funds to operations if they have capital needs. Given the capital needs and substandard physical score, the LJHA Board should be prepared to approve a capital fund budget that plans for the capital needs to ensure long term viability of the public housing units. In addition, the Board will need to revise the 2018 Operating Budget to reflect that no more than 20% of a CFP grant can be transferred into the operating account.

### **Housing Choice Voucher Program**

Under HUD's HCV program the Authority receives an annual allotment of funding to cover Housing Assistance Payments (HAP) expenses. This funding may only be used to cover rental payments to landlords and utility reimbursements to program participants. The Authority also earns a monthly administrative fee to cover the cost of program administration (inspecting units, verifying income, salaries, etc.).

### **HCV HAP Utilization**

As previously described, HUD provides the Authority with HAP funding that can only be used to pay rental assistance and utility reimbursements for program participants. Currently, HCV renewal funding is based on the amount of HCV funding expended in the prior calendar year. Therefore, the more the Authority spends (within the current funding provided) the more it is likely to receive in renewal funding for the next calendar year. For the Authority staff to effectively

utilize funding, they must be able to forecast several variables. To assist PHAs in this effort, HUD has developed a Two-Year Projection Tool. During the review, a leasing and spending projection was developed by HA and HUD staff. A copy of that Two-Year Projection that was developed with the Executive Director while on-site is enclosed for your review. This projection shows that for 2017 the Authority managed well by spending nearly 98% of total funds available. For 2018, the projection shows that the HA is on track again to utilize 98% of all funds available which would leave a reserve of 1.8%.

### **Administrative Income and Expenses**

As mentioned earlier, the Authority earns an administrative fee for each unit leased and fees may only be used for administrative expenses incurred in oversight of the HCV program. The table below shows the administrative fee revenues and expenses for the past 5 years. At the end of 2013, the Authority had an administrative fee reserve of \$372.00. In 2017, the Authority spent more than it earned and ended the year with a reserve balance of (\$7,103.00). The negative balance indicates that the Authority used other funds to pay for HCV administrative expenses. If the source of funds was HAP or public housing funds those accounts will need to be reimbursed as those sources cannot be used to pay administrative expenses. In our review of meeting minutes and interviews with staff and Board members, we found that the Board was not being provided with updates or a status on how the

Authority was performing financially regarding income and expenses in the administration of the HCV program. We recommend that in the packet provided to the Board members at each meeting, the Executive Director provide a detailed report of the administrative income and expenses both monthly and year to date. This would allow the Board to quickly and clearly compare budget to actual numbers and assess whether the Authority is making or losing money in the HCV program.

FDS Line Item	HCV Net Admin Fee	2013	2014	2015	2016	2017
11170-060	Revenue	\$59,561	\$64,127	\$67,872	\$73,309	\$80,201
11170-080	Operating Expenses	\$62,440	\$61,835	\$65,979	\$63,345	\$99,075
11170-002	Net Admin Fee +/-	(\$5,217)	\$2,292	\$1,893	\$9,964	(\$18,874)
	FYE Admin Fee Balance	\$372	\$2,664	\$3,807	\$12,771	(\$7,103)

### **Governance**

Prior to the visit we requested to that the meeting minutes for the last year be available for review. We were advised that the minutes for meetings held June 2017 through March 2018 were not available due to a software issue. We were provided with minutes from December 2016, and January, February, March, and May 2017. The minutes did not provide for a review of financial condition (budgeted to actual) of either the Public Housing or Section 8 HCV program. Also, we did not find that there was any discussion or review of public housing occupancy, tenant account receivables, HCV leasing / utilization or HCV income and expense. We recommend that the Board be provided with a packet prior to each meeting that includes the items noted above.

We encourage all Board members to take advantage of free online board training through HUD's Lead the Way Training located at: [www.hudexchangeinfo/programs/public-housing](http://www.hudexchangeinfo/programs/public-housing). This self-paced training will assist the Board in better understanding its responsibilities in oversight of the HCV program.

### **Conclusion**

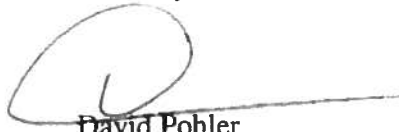
The LJHA Board should take immediate action to identify the cause if its financial and management performance deficiencies and develop and implement a plan to recover its PHAS score and ensure long-term sustainability at an acceptable level of performance. Another issue is that the current Executive Director is the Mayor's daughter, which is a conflict of interest under the Annual Contributions Contract between HUD and the HA. Absent a waiver from HUD, the current ED may not be paid with federal funds. Our understanding is that the ED is not being paid with federal funds. In addition to providing a recovery plan to HUD, the Board should develop a long-term plan for that provides for full time management and oversight of the Authority's programs.

**Please provide our office with a proposed recovery plan within 30 days of the receipt of this letter.** Your plan will be reviewed by our staff to determine further assistance to be provided by HUD and actions to be taken.

Please also be advised that HUD may initiate actions to require development of an Improvement Plan for the LJHA, as permitted by regulation, to document and ensure that recovery efforts have been put in place.

If you have questions or require further information, please contact Greg Kraus at (210) 475-6824; or me at (210) 475-6892.

Sincerely,

A handwritten signature in black ink, appearing to be "David Pohler", with a large, stylized loop at the beginning and a horizontal line extending to the right.

David Pohler  
Director  
Office of Public Housing

Enclosure

cc:

Mrs. Maricruz Sifuentes, Board Chair  
Mr. John Pena, Commissioner  
The Honorable Adolfo Salinas, Mayor

**PIH-OFO Recovery Initiative**

Low Rent Public Housing Program Code Number 14.850 and 14.872

**Southwest Region 06****SMALL size****3/28/2018 4:06 PM**

<b>La Joya Housing Authority</b>	<b>TX448</b>	<b>Peer Group</b>
Assessment Year	2016	
PHAS Designation	Substandard Physical	All Designations
PHA Count	1	335
Leased Unit Months	590	1,209
Total Available Unit Months	600	1,249
<b>Total Revenue</b>	<b>\$646.38</b>	<b>\$552.96</b>
Total Tenant Revenue	\$215.76	\$205.82
Operating Grants	\$427.56	\$241.53
Capital Grants	\$0.00	\$84.49
Other Government Grants	\$0.00	\$0.46
Other Revenues	\$3.07	\$20.66
<b>Total Expenses</b>	<b>\$834.37</b>	<b>\$567.80</b>
<b>Total Operating Expenses</b>	<b>\$576.11</b>	<b>\$429.66</b>
<b>Total Administrative</b>	<b>\$321.32</b>	<b>\$156.84</b>
Administrative Salaries	\$161.42	\$82.82
Auditing and Management Fees	\$0.00	\$6.72
Employee Benefits	\$37.00	\$28.64
Other Administrative	\$122.89	\$38.66
<b>Total Utilities</b>	<b>\$17.82</b>	<b>\$49.20</b>
<b>Total Maintenance and Operations (M&amp;O)</b>	<b>\$196.14</b>	<b>\$165.23</b>
M&O Labor	\$58.59	\$60.49
M&O Material	\$34.09	\$34.58
M&O Contracts	\$88.75	\$48.79
M&O Employee Benefits	\$14.72	\$21.37
<b>Other General Expenses</b>	<b>\$40.85</b>	<b>\$58.40</b>
<b>Total Non-Operating Expenses</b>	<b>\$258.26</b>	<b>\$138.14</b>
<b>This Year Revenues(Expenditures)</b>	<b>(\$187.99)</b>	<b>na</b>



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Office of Public Housing  
Hipolito Garcia Post Office and Courthouse  
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San Antonio, Texas 78205  
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July  
~~JUN~~ 25 2018

Ms. Frances De Leon Salinas  
Acting Executive Director  
La Joya Housing Authority  
945 South Leo  
La Joya, TX 78560

Dear Ms. Salinas:

SUBJECT: Schedule of Findings and Questioned Costs for Fiscal Year Ended December 31, 2016  
AUDITOR: Smith, Marion and Company

On November 8, 2017, the Real Estate Assessment Center's Financial Assessment Subsystem (FASS) product area received the La Joya Housing Authority's audited financial data submission for the subject fiscal year end 2016. Included in this submission was the auditor's schedule of findings and questioned costs. To ensure corrective actions are implemented, we are sustaining the findings listed in this Management Decision Letter (MDL). If subsequent information demonstrates additional administrative actions are warranted by HUD, they will be implemented.

The Management responses included with the financial data submission to REAC do not adequately address the findings in the auditor's schedule of findings and questioned costs. This MDL will highlight the deficiencies noted from the audit and the requirements necessary to bring them to a close.

#### **2016-001 – Segregation of Duties (Repeat Finding 2015-001)**

The auditor stated the present system of internal controls does not provide for segregation of duties in the performance of functions due to the limited size of the staff.

The Management response provided in the Corrective Action Plan (CAP) stated that "the Housing Authority has had a change in administration and complete staff turnover. Because of the staff size, segregation of duties is a challenge. The person completing family examinations does not collect the rent. The person collecting the rent populates the rent ledger but has no hand in determining rent amounts. The person completing the HCV examinations does not generate HAP checks. A fee accountant has been procured to provide monthly reconciliation of the financial statements". The Management response is considered inadequate as it does not address segregation for collecting rent, preparing deposits, and taking deposits to the bank. This finding is sustained.

#### **Corrective Action Required:**

In addition to and including the actions noted in the Management's CAP, the Authority should provide a complete description of the internal controls put in place to ensure there are

adequate segregation of duties between individuals who authorize transactions and individuals who have control over related assets. For example, the internal controls should describe the segregation between individuals that determine rent amounts, prepare HAP registers and checks to landlords, receipt and post rent, prepare deposits, take deposits to the bank, etc.

**Finding 2016-002 - Tenant Accounts Receivable / Write-Off's (Repeat Finding 2015-002)**

The auditor noted that tenant balances for evicted and current tenants at month end were written off directly to the tenant revenue accounts. These write-offs were done to increase the REAC score as noted in the Board minutes. This finding is sustained.

**Corrective Action Required:**

The Authority stated in the corrective action provided to REAC that a fee accountant had been procured to complete monthly financial statements as well as to complete the yearly FASS submission. It was also noted that the Authority had developed a system to track move outs and debts owed so that the Board could approve the timely write off of these bad debts and to be properly recorded by the fee accountant. Please provide a description of the system that was developed and evidence that the amount approved to be written off by the Board for the 2017 FYE was recorded in the FASS system.

**Finding 2016-003 – SEMAP Supporting Documentation (Repeat Finding 2015-003)**

An on-site SEMAP Assessment was completed in April 2018. This Finding is being cleared as it is being tracked under the SEMAP Corrective Action Plan.

**Finding 2016-004 – Timecard Maintenance (Repeat Finding 2015-005)**

During the audit, it was noted that hourly employees do not keep a record of hours worked, a time sheet or time card, nor do they or a supervisor attest to the hours worked. The practice is to pay hourly employees for forty hours of work regardless of actual time worked. This finding is sustained.

**Corrective Action Required:**

The corrective action noted by the Authority was that as of August 2017, each employee was required to keep a time sheet to be signed and submitted weekly for each pay period. Please provide recent time cards as evidence they are being submitted and approved by a supervisor.

**Finding 2016-005 – Unreported Taxable Wages / Benefits**

The audit revealed that there were several forms of compensation paid to personnel not reported to the Internal Revenue Service on the quarterly form 941 and the annual W-2 forms of employees as taxable income. These forms of compensation included vehicle allowances, cellphone allowances, and Christmas bonuses. Additionally, mileage reimbursements were paid to personnel receiving vehicle allowances, essentially doubling the amount of the compensation attributable to the vehicle allowance.

**Corrective Action Required:**

The corrective action plan provided by the Authority stated that the new administration was aware that all wages and benefits paid for allowances must be reported to the IRS. Provide evidence that the compensation noted above has been reported to the IRS. In addition, provide a listing of the current employees that receive a vehicle allowance and a list of employees that receive reimbursements for mileage on their personal vehicles.

**Finding 2016-006 – Clearing House Submission**

The auditor noted that the data collection form (SF-SAC) was not submitted for the 2015 fiscal year and the audit was submitted after the nine-month deadline.

**Corrective Action Required:**

Provide the procedure used by the Authority to ensure the SF-SAC and audit are completed within the required timeframes.

**Finding 2016-007 – Housing Quality Standards Inspections / HQS Enforcement**

An on-site SEMAP Assessment was completed in April 2018. This Finding is being cleared as it is being tracked under the SEMAP Corrective Action Plan.

**Finding 2016-008 – Housing Assistance Payments**

An on-site SEMAP Assessment was completed in April 2018. This Finding is being cleared as it is being tracked under the SEMAP Corrective Action Plan.

**Finding 2016-009 – Allowable Costs**

The auditor noted multiple instances in which proper supporting documentation was not maintained for expenses to the Federal programs. Additionally, the auditor noted payments being made on costs that would be deemed unallowable, as well as unreasonable. Specific examples that were deemed unallowable were fees and interest charges on Authority credit cards. Specific items that were deemed unreasonable and areas of waste and / or abuse occurred when several Board members and the Executive Director that attended the same conference at the same time, but drove separate vehicles and were reimbursed for mileage. This resulted in three to five times the normal cost of a single vehicle used to transport these individuals to the conference. In addition, these individuals received per diem amounts for attending the conference with no documented plan. Board minutes indicate they were to provide receipts and re-pay any excess per-diem received; however, there is no documentation of this occurring.



**Corrective Action Required:**

To clear this finding, provide the system of controls implemented by the Authority to ensure that only expenses that are allowable and properly documented are paid or reimbursed to employees and Board members. In addition, provide a copy of the Travel Policy that was adopted by the Board. Also, provide evidence that employees and Board members repaid excess per-diem as described above.

If you have questions, please contact Greg Kraus at 210-475-6824 or by email at [gregory.f.kraus@hud.gov](mailto:gregory.f.kraus@hud.gov).

Sincerely,

A handwritten signature in dark ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

David Pohler  
Director  
Office of Public Housing

cc:

John Pena, Board Chair  
Maricruz Sifuentes, Vice Chair  
Silvia Garces-Valdez, Commissioner  
German Reyna, Commissioner



OCT - 1 2018

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Ms. Frances De Leon Salinas  
Acting Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Ms. Salinas:

SUBJECT: Late Response to Field Office Letter Dated July 25, 2018 -  
Schedule of Findings and Questioned Costs for Fiscal Year Ended December 31,  
2016

In a letter dated July 25, 2018, we outlined findings in the December 31, 2016, Audit, that require corrective actions on your part. As of October 1, 2018, we have not received a response. Please provide the requested corrective actions by October 15, 2018.

If you have questions, please contact Greg Kraus at (210) 475-6824, or by email at [gregory.f.kraus@hud.gov](mailto:gregory.f.kraus@hud.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "David Pohler", is written over a horizontal line.

David Pohler  
Director  
Office of Public Housing

cc:  
Maricruz Sifuentes, Board Chair  
Silvia Garces-Valdez, Board Member  
German Reyna, Board Member  
John Pena, Board Member  
The Honorable Adolfo Salinas, Mayor



OCT - 1 2018

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Ms. Frances De Leon Salinas  
Acting Executive Director  
La Joya Housing Authority  
P.O. Box 1409  
La Joya, TX 78560

Dear Ms. Salinas:

SUBJECT: On-Site Technical Assistance Visit – April 16 – 18, 2018

On June 29, 2018, we issued a report regarding the subject On-Site Visit. At the conclusion of the report we asked that you provide our Office with a proposed recovery plan within 30 days of our report letter. As of October 1, 2018, we have not received a response. Please provide the proposed recovery plan to our Office by October 15, 2018.

If you have questions, please contact Greg Kraus at (210) 475-6824 or by email at [gregory.f.kraus@hud.gov](mailto:gregory.f.kraus@hud.gov).

Sincerely,

A handwritten signature in dark ink, appearing to read "David Pohler", with a long horizontal stroke extending to the right.

David Pohler  
Director  
Office of Public Housing

cc:

John Pena, Board Member  
Maricruz Sifuentes, Board Chair  
Silvia Garces-Valdez, Board Member  
German Reyna, Board Member  
The Honorable Adolfo Salinas, Mayor